

# FINANCIAL TIMES

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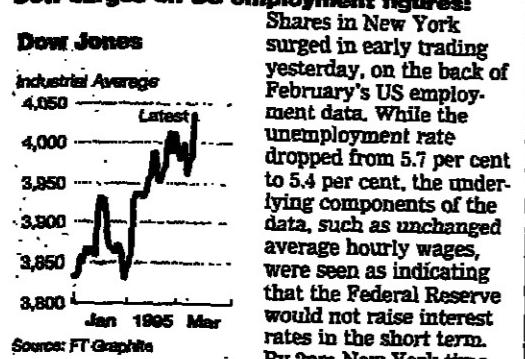
WEEKEND MARCH 11/MARCH 12 1995

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## Russia-US talks may bring progress on enlarging Nato

Russia will hold high-level talks with the US later this month, and Nato officials said the meeting could signal a breakthrough over the issue of enlarging the alliance. Andrei Kozyrev, Russian foreign minister, will meet Warren Christopher, US secretary of state, in Geneva to discuss bilateral issues, regional conflicts and European security, the Russian government said. Nato officials said there were signs that Moscow might now accept the expansion of alliance under certain conditions.

**Down surges on US employment figures:**



**Alcatel boss under investigation:** Pierre Sturd, chairman of Alcatel-Alsthom, one of France's biggest industrial groups, was formally put under investigation in a probe into alleged over-billing of France Telecom.

**South Africa scraps two-tier currency:** South Africa's controversial two-tier currency system, designed to prevent large-scale capital outflows, was scrapped and replaced with a single, free floating rand. Page 22

**'New energy' in Middle East takes Warren Christopher:** US secretary of state, said there was a "new burst of energy" in the Middle East peace process. His remarks came after a flurry of intensive US-Arab-Israeli diplomacy and reflect fresh optimism about progress in Israeli-Palestinian and Israeli-Syrian peace talks. Page 3

**Currencies skirmishunsettles Footsie:**

The Footsie Index has fallen by a net four points this week, largely upset by the continued skirmishing in the currency markets. Equities were helped yesterday by firmness in British government bonds where gains ranged to nearly three-quarters of a point at the long end of the range. Short-dated stocks, more closely linked to views on base rates in the UK, edged higher in narrow trade. The market also responded to a better performance by the US dollar following news of Mexico's austerity programme. Page 19

**IMF chief backs Russian loan:** Michel Camdessus, managing director of the International Monetary Fund, will strongly advise his board to release \$6.5bn of financial assistance to back Russia's economic stabilisation programme. Page 2

**Trafalgar allows bid to lapse:** The first takeover bid for a UK privatised utility appeared to have failed last night when Trafalgar House allowed its £1.2bn (\$1.9bn) offer for Northern Electric to lapse and was refused permission to launch a lower offer. Page 22; *Man in the News*, Page 10; *Electricity generators*, Page 7; *Racs battle*, Page 19

**Air France expects to recoup about FF1.1bn (\$20m) from the sale of its stake in Sabena, the Belgian carrier which is close to an alliance with Swissair.** Page 8

**Fine art buyers splash out:** UK consumers may still be feeling cautious but some international fine art buyers appear to be splashing out. Trades of art and jewellery surged at the end of last year, the UK's Central Statistical Office said. Page 6

**Five killed in Austrian court shootings:** A 64-year-old pensioner killed five people in a court, including the judge, the defence lawyer and the defendant, police said. The gunman then shot himself. The pensioner, who was not immediately identified, had taken a relative to court over an alleged insult, but the court ruled against him.

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## Canada condemned for seizing boat in fishing row

By Bernard Simon in Toronto,  
David White in Madrid and our  
Brussels staff

waters off Newfoundland after  
Canadian ships fired on and then  
seized the trawler Estal.

European Union ambassadors  
yesterday condemned Canada's  
seizure of a Spanish trawler in  
international waters and  
instructed the Commission to draw up a list of possible sanctions,

including the suspension of  
diplomatic contacts.

In an increasingly bitter dispute  
over fish stocks, Spain sent a naval patrol vessel to the

An emergency meeting of EU  
ambassadors in Brussels demanded the immediate release of  
the trawler as a Commission official condemned Canada's chosen course of "unilateral aggression".

The Commission said the EU was "open to dialogue" but that the list of possible sanctions would be presented to Canada next week if the matter had not been resolved.

It requested an urgent meeting of the North-West Atlantic Fisheries Organisation, which regu-

lates fish quotas in international  
waters, to avert further escalation  
of the dispute.

Mr Xoán Caamaño, the head of fisheries for the Galicia region in Spain, described the seizure as "an act of war against a sovereign country".

The Canadians have been critical of Spain's attitude to international fishing quotas. But the latest dispute stems from a specific disagreement over a 27,000-tonne quota for Greenland halibut. Canada says it has a right to 80 per

cent of the catch, while the EU says claim is 69 per cent.

The quota issue was close to being resolved but tensions have been inflamed by the return of the Spanish vessels to the Grand Banks and the seizure of the Estal. Ottawa has refused to resume talks on the disputed quota until the EU observes the moratorium. "We can't talk while the last fish is being caught," Mr Tobin said yesterday.

His tough line is widely applauded in Canada, especially

in Newfoundland, where about 50,000 jobs have been lost over the past five years.

But Spain demanded compensation for the seizure yesterday. Mr Caamaño said the action was "proof of the intolerance of the authorities of a country which claims to be democratic but which uses force because it does not believe in it, nor in international law nor anything like it."

Fish knives out to defend Canada's turf. Page 2

Brazil brings in emergency support for Real

## US hails Mexican resolve over tough austerity measures

By George Graham in  
Washington and Angus Foster in  
São Paulo

Senior US officials yesterday  
threw their support behind  
Mexico's new economic reform  
programme as the continuing  
Latin American currency crisis  
forced the Brazilian government to  
announce an emergency package to support the Real.

Mr Robert Rubin, the US Treasury  
secretary, praised fresh austere  
measures by the Mexican  
government, including public  
spending cuts and a rise in petrol  
prices. "The stringent measures  
announced last night by the Mexican  
cabinet are a major step forward,  
and we should recognise  
the political courage involved in  
taking those steps."

Mr Alan Greenspan, chairman of the Federal Reserve Board, joined Mr Rubin before a Senate committee yesterday to argue in favour of the Mexican rescue plan, but was more muted in his support. Nevertheless, he said the Mexican programme was "the least worst of the various alternatives which confront us".

"I currently see no viable alternative to the type of programme  
now being pursued," Mr Greenspan said, adding that it was essential for the Mexican government to burst the inflation bubble.

The central bank changed the  
trading band for the Real, set  
between 86 and 90 centavos to

the dollar, to 88 to 98. Other measures, including an increase in overnight interest rates to 6 per cent a month, heightened demand for the currency and it was trading close to its upper limit of 88 centavos to the dollar by early afternoon.

The package also included lifting a 1 per cent tax on foreign investment in the stock market. A 9 per cent tax on foreign investment in fixed income securities was cut to 5 per cent.

Both Mr Greenspan and Mr Lawrence Summers, Treasury undersecretary for international affairs, were stinging in their criticism of the Mexican government's policy mistakes in the course of 1994, when they attempted to preserve the peso's exchange rate despite a ballooning current account deficit.

Mr Greenspan said the Mexican authorities were "tragically mistaken" in their belief that foreign investors' loss of confidence would be temporary. "Because of regrettable delays in implementing effective policies, Mexico's problems have grown," he said.

Mr Summers, criticised by members of congress for not stepping in sooner to change Mexico's economic policy, issued a detailed critique of the Mexican authorities' policy errors and failure to heed US warnings.

bis created by the sharp fall in  
the value of the peso.

The US yesterday disbursed the first \$3bn of a \$20bn medium-term package which the Treasury is to provide from its Exchange Stabilisation Fund. The money is expected to assist Mexico to roll over short-term debts.

The Brazilian measures were aimed at halting a fall in its foreign reserves and at attracting international investors. The country's central bank was forced to intervene 32 times in currency markets on Thursday to support the ailing Real.

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Nine people and the bomber died in the attack on a fish shop in October 1993.

Sir Patrick said the Americans were quick to call for a fight against terrorism when it was their own people who were being killed.

The uncharacteristically blunt remarks of a minister who has

trodien carefully during negotiations on Northern Ireland highlight the depth of the rift between the governments, just a month before a visit to Washington by Mr John Major, the UK prime minister.

In an attempt to intervene, Mr John Bruton, the Irish prime minister, urged Mr Adams to use his "influence over the IRA" by persuading them to make a

Continued on Page 22

London and Washington divided, Page 6

Not all eyes are smiling, Page 11

**Anglo-US rift over Adams**

By John Kampfner, John Murray Brown and Jimmy Burns

The row between London and Washington intensified last night as Sir Patrick Mayhew, the UK's Northern Ireland secretary, rebuked the Clinton administration for inviting Mr Gerry Adams, president of Sinn Féin, the political wing of the IRA, to collect funds.

Sir Patrick, whose attempts to persuade officials in Washington to lift restrictions were ignored, said: "I think that people here will be dismayed that

Mr Adams, who they recall vividly carrying a coffin of somebody who was responsible for the Shankill bombing about 18 months ago is now being treated like a perfectly ordinary leader of a constitutional party."

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## EUROPEAN NEWS DIGEST

**EU agreement on aligning penalties**

European Union ministers yesterday took a potentially far-reaching step by agreeing on the need to end the wide variations in their national penalties on people and companies breaking EU law, but not on how to do this.

At issue is the sensitive problem of how far the Union should intrude in telling its member states what fines and penal sanctions they should impose on flouters of EU directives. The French presidency of the EU has called for action to standardise sanctions so that, as Mr Alain Lamassoure, France's EU affairs minister, said yesterday, "the conditions of equal competition in the EU are not compromised".

Some current EU laws carry widely differing penalties, particularly in the public procurement area, and in one glaring instance - the EU directive against money-laundering - infractions carry a 20-year jail sentence in Luxembourg and no penalty at all in some other EU states. David Buchan, Biarritz

**Rates pressure on Bundesbank**

The Bundesbank, the German central bank, is likely to come under further pressure to raise interest rates following the rise in the annual west German inflation rate for the first time since the beginning of last year. The final figure for the year-on-year rate in February was 2.4 per cent, up from 2.3 per cent the month before, the federal statistics office says.

The February increase was driven mainly by a rise in the price of seasonal fruits and vegetables and coffee. The cost of living for German households rose 0.4 per cent during February, the statistics office said.

In eastern Germany monthly inflation for February rose to 2 per cent, up from 1.8 per cent, mainly because of an increase in the cost of train tickets. Michael Lindemann, Bonn

**German minister stood down**

Ms Monika Griefahn, the well-known environment minister in the northern German state of Lower Saxony, was yesterday told by her premier to step down temporarily after being accused of trying to help her husband to win the contract to design the Expo 2000 world trade fair in Hanover.

Mr Gerhard Schröder, the Social Democrat state premier, has asked a former constitutional court judge to conduct an investigation. The situation is especially precarious for Mr Schröder, who has a one-seat majority in the state parliament.

Ms Griefahn, 40, who used to be a board member of Greenpeace, the environmental group, before becoming environment minister, admitted yesterday that her behaviour had been "politically foolish". She is especially well-known for her opposition to nuclear energy. Michael Lindemann, Bonn

**Western victory for workers**

The EU, backed by the US and other industrialised countries, has won an important victory on workers' rights at the UN social summit in Copenhagen.

The final draft of resolution due to be signed over this weekend by government heads contains a firm and explicit commitment to the defence of universal labour standards. Developing countries had fought hard to prevent any mention of particular labour rights in the final communiqué, but appear to have backed down. India, China and Indonesia, in particular, regard the campaign for workers' rights in all countries as a cover for the introduction of protectionism to impede the manufactured exports of developing countries.

But the document which emerged yesterday, after more than three days of intense haggling, states that "the basic rights and interests of workers" in all countries must be safeguarded. Robert Taylor, Copenhagen

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# IMF chief backs \$6.5bn aid for Russia

By John Thornhill in Moscow

Mr Michel Camdessus, managing director of the International Monetary Fund, will strongly advise his board to release \$6.5bn (£4bn) of financial assistance to back Russia's economic stabilisation programme.

The loan would constitute the biggest package of financial support yet offered to Russia and one of the most important assistance programmes ever launched by the IMF.

Mr Camdessus agreed a joint policy statement with President Boris Yeltsin in the Kremlin yesterday affirming Russia's commitment to taming

inflation and bringing the monthly rate down to 1 per cent by the end of the year.

Mr Camdessus said he had been impressed by Mr Yeltsin's "full determination, energy and leadership" to achieve this goal.

On the basis of this commitment and a strong and credible programme I am ready to give it my vote of confidence - a word I do not use that frequently," Mr Camdessus said.

The IMF board will consider the loan and reach a decision by early April. But IMF officials suggest that Mr Camdessus's high-profile support makes it extremely unlikely that the

board would refuse the request despite mounting criticism in the west over Russia's human rights violations in Chechnya.

Mr Camdessus rejected suggestions that the IMF money would in effect be used to bankroll Russia's assault on the breakaway region. Independent Russian economists have estimated the costs of the war at about \$5bn.

"I bluntly refuse this conception. The IMF is a technical institution which is there to serve its members in their efforts to stabilise their economies and put them on the path to sustainable prosperity," he said. "It is not the IMF's role to pass judgment

on the war in Chechnya."

Mr Victor Chernomyrdin, Russia's prime minister, reaffirmed the government's commitment to achieving the economic stabilisation which has eluded its grasp in the past two years.

"The most important thing for Russia now is to achieve the lowest possible level of inflation by the end of the year," he said.

Economists are divided about the prospects for Russia's stabilisation programme. Some point to signs that its inflation rate - running at 11 per cent in March in February - is already beginning to decelerate and that industrial production is showing frag-

ile signs of an upturn. But other economists argue the stabilisation plan is likely to run into the sand in the summer, as in previous years, when lobbying from the heavy industrial and agricultural lobbies for state subsidies grows intense.

But the IMF will consider extending a double stabilisation loan of as much as \$8bn this summer to reinforce the government's determination to refrain from issuing fresh credits. The IMF is also at the earliest stages of talks about a much larger extended loan facility for subsequent years. So far, the IMF has provided Russia with \$4bn of financial support.

## Fish knives out in defence of Canada's turbot

By James Harding and Deborah Hargreaves

Turbot in the Northwest Atlantic may well feel under siege. But then so too do fisherman.

For Newfoundland, which saw its unemployment rate soar over 20 per cent in the late 1980s when overfishing killed off the cod industry and 30,000 jobs with it, the attack on the Spanish fishing boat on Thursday night was a bare-knuckled defence of the local economy.

Analysis earlier this week from the United Nations Food and Agriculture Organisation suggests that more shots will be fired in anger in the future. The FAO found that 70 per cent of the world's fish stocks were at some stage of deterioration through overfishing, and this depletion had been coupled with a consistent rise in the number of fishing crews.

European officials blame Canada for the demise of northern cod and for the new row over turbot. Mr Jacques Santier, EU president, invited the Canadian prime minister to send a delegation to Brussels for talks. "Canada refused this offer," EU officials said.

The attack on the Estai, the Spanish vessel fishing just outside Canadian waters, was the most vicious in a series of recent scuffles between Spanish and Portuguese boats, and the Canadian authorities.

The exceptional decision to attack outside the 200-mile national fishing zone reflects Canadian fears that European fishermen are compensating for declining access to the main turbot grounds in Canada.

Attempts to protect resources prompted the first limit on turbot fishing around Canada last September. The Northwest Atlantic Fisheries Organisation, the regulatory body, decided on conservation grounds to restrict the total allowable catch for 1995 to 27,000 tonnes. All sides approved.

The consensus broke down on national quotas to fish in those limits. The EU claims "Canada forced a vote in the Nato meeting" which left European fishermen allowed to catch only 3,400 tonnes of turbot compared with the average 37,000 a year they caught between 1991 and 1993.

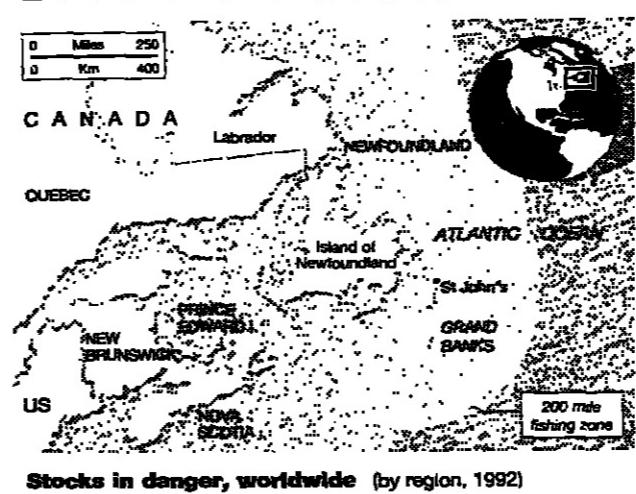
On March 1, the Europeans rejected the agreement and set themselves a unilateral quota of 18,820 tonnes, in effect 70 per cent of the total allowable catch. The remnants of consensual diplomacy have since disappeared.

Mr Brian Tobin, Canadian fisheries minister, responded to the EU's unilateral action: "We will not allow the EU to devastate turbot the way it devastated American plaice, yellowtail flounder, witch flounder, redfish and cod species in the 1980s."

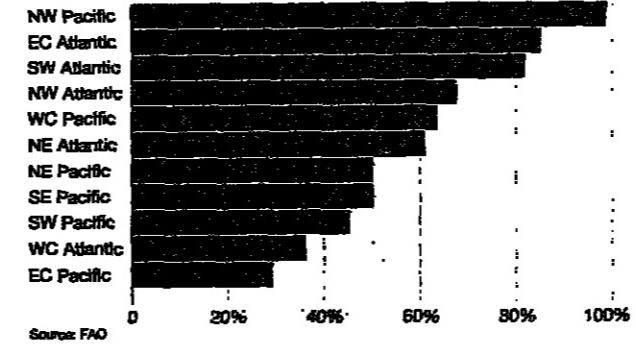
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Stocks in danger, worldwide (by region, 1992)



Source: FAO

dian-patrolled waters by trawling on the fringes.

Over three-quarters of the turbot is within Canada's fishing zone, but as catches have fallen in the area from 30,000 tonnes in 1987 to just over 5,000 tonnes in 1993, they have risen on the edges from less than 2,000 to over 45,000 in the same period.

A UN conference which began in 1993 is still considering how to manage fish stocks on the High Seas - outside countries' 200-mile exclusion zones. The conference reconvenes on March 21 in New York for its fourth negotiating session on a binding treaty on cutting fishing effort, but continue to pump in subsidies," said Mr David Doumani, senior fisheries planning officer at the FAO.

"Overfishing is having dev-

astating effects worldwide, but countries are trying to benefit their own national interests," said Ms Alison Ross, fisheries campaigner at the environmental organisation Greenpeace.

She estimates that the world fleet is twice the size it should be for fishing at a sustainable rate.

The EU and Japan have resisted the idea of securing a binding fishing treaty at the forthcoming UN conference. "Many countries are just not prepared to take unpopular decisions on cutting back their fishing effort, but continue to pump in subsidies," said Mr David Doumani, senior fisheries planning officer at the FAO.

As a first step, the 15 ambassadors decided to put on hold an accord on joint research with Canada which was due to be signed at a meeting of EU research ministers in Brussels yesterday.

The view in Brussels is that the best, perhaps the only, chance of resolving the dispute with Canada over the fishing of Greenland halibut lies within Nato. "This is the only legal ground which is accepted by everybody," an official said.

The Commission refused to rule out bilateral action by Spain, but in this case, officials said, there was "complete solidarity" in the EU. "All agree that it is a flagrant violation of the law of the sea," one said.

Spanish officials have been presenting their case forcefully and persuasively in Brussels, rebutting Canadian claims that they have 35 boats in the area (they say the figure is 18), and arguing that Canadian officials boarded the Spanish vessel with Canadian rather than Nato manuals.

A Commission official said:

"Our response is not limp. We are not going to rush into the conflict in a hot-headed way."

The instruments we use against Canada must be appropriate. But we will do what ever is required."

## EU considers retaliation for seizure of boat

By Caroline Southey and Lionel Barber in Brussels

When European Union ambassadors gathered in Brussels to condemn Canada's seizing of a Spanish fishing vessel, they wanted to limit the dispute. But they instructed the Commission to draw up a list of sanctions, including the suspension of diplomatic contacts.

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The instruments we use against Canada must be appropriate. But we will do what ever is required."

## 'Open skies' pact snub for Kinnock

By Caroline Southey in Brussels

All six EU member states engaged in talks with the US on "open skies" transport agreements have formally rejected a request by the Commission to withdraw from negotiations, Mr Neil Kinnock, the new commissioner for transport, said yesterday.

Mr Kinnock said Belgium, Denmark, Luxembourg, Finland, Austria and Sweden had already initialled deals. The others are expected to follow.

Mr Kinnock will put his case to transport ministers from member states in Brussels on Tuesday. He said he believed that details of the proposed US deal would persuade more member states that the Commission should be given competence to negotiate a bilateral deal. Member states have traditionally been reluctant to cede negotiating rights in this area.

He argued that liberalisation had to be combined with safeguards and harmonisation.

"Without these, small European air carriers would be particularly vulnerable to aggressive and predatory market behaviour by US carriers."

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# Middle East peace talks 'revitalised'

By Julian Ozanne in Jerusalem

Mr Warren Christopher, US secretary of state, said yesterday there was a "new burst of energy" in the Middle East peace process.

His remarks come after a flurry of intensive US-Arab-Israeli diplomacy and reflect fresh optimism about progress in Israeli-Palestinian and Israeli-Syrian peace talks after months of stagnation and delays.

"There's a new burst of energy, there's a sense of revitalisation all across the peace process, and I'll be doing all I can to assist in that," he said after meeting Mr Shimon Peres, Israel's foreign minister.

Mr Christopher's optimism is the product of a new attitude from Israel's Labour-led government that it must do everything possible to push the peace process forward in the next nine months, ahead of next year's election cycle and amid growing concern that the Labour party could lose the polls.

On Thursday, an hour before Mr Christopher arrived in Israel, Mr Peres announced he had agreed with Mr Yassir Arafat, leader of the Palestinian Liberation Organisation, to set a target date of July 1 for the completion of negotiations on extending Palestinian self-rule to the Israeli occupied West Bank.

Later, in a meeting with Mr Yitzhak Rabin, Israeli prime minister, Mr Christopher was told that Israel is determined to reach a peace agreement with Syria over withdrawal

from the occupied Golan Heights and is capable of winning a domestic referendum on a deal with Syria.

Mr Rabin asked Mr Christopher to take a message to Mr Hafez al-Assad, the Syrian president, saying Israel was ready and able to strike a peace deal and wanted a renewal of talks in Washington between the Israeli and Syrian chiefs of staff as soon as possible.

Mr Rabin also told Mr Christopher he had lifted a month-long naval blockade of Lebanon. After the meeting, Mr Rabin flew to Jordan to brief King Hussein. "These are days of intensified diplomatic activity," Mr Rabin said on his return.

The Palestinian self-rule agreement, however, remains a difficult obstacle. Israeli officials say the recent decision by Mr Peres and Mr Rabin to push forward with the next phase of the process - redeployment of Israeli troops out of West Bank Palestinian population centres ahead of Palestinian elections

- reflects an assessment that Syria will not strike a deal as long as the Palestinian agreement is stillborn.

Palestinian leaders, however, do not share the optimism of Mr Christopher and Israel. Mr Arafat said yesterday the PLO and Israel were still a long way from agreeing details of redeployment and elections. Other PLO officials remained deeply sceptical about whether Israel, which has traditionally said no dates were sacred in the peace process, would honour its commitment to the July 1 deadline.

# Nigerian rulers left in disarray by coup plot

By Paul Adams in Lagos

Nigeria's military regime appeared to be in disarray yesterday after it confirmed reports, which it had earlier denied, of a coup plot in the armed forces prompting the detention of a leading politician.

The arrest of Mr Shehu Yar'Adua and the delay in confirming the rumours, which have been rife for about 10 days, suggest deep divisions within the army constituency of General Sani Abacha, head of state, and follow several months in which the regime has lacked any clear policies.

The arrest of Mr Shehu Yar'Adua was the number two in the military regime which handed over to civilian rule in 1979. He was the leading candidate for the presidential polls due in 1992 until former President Ibrahim Babangida disqualified him and postponed the elections. Last April he was arrested briefly for telling the regime to quit office soon.

Mr Yar'Adua was the prime mover behind last December's resolution by the state-sponsored constitutional conference that the regime should leave office on January 1 1996. Mr Yar'Adua is the only Nigerian politician with a nationwide network of supporters and is best placed to run for the presidency when the ban on party politics is eventually lifted.

Gen Abacha has cancelled plans to attend the United Nations social summit in Copenhagen this weekend, which would have been his first trip to Europe since he seized power nearly 18 months ago.

The general has played an integral part in the three coups in Nigeria which have kept the military in power for more than a decade. Since he became head of state in November 1993 he has twice purged the forces of senior officers considered disloyal.

Nigeria's chief of defence staff said in Lagos yesterday that the government had foiled a plot to overthrow the regime by military officers whom he described as "over-ambitious". He confirmed that arrests early last week were connected with the plot to stage a coup on March 1, the start of the end-of-Ramadan Muslim festival.

## BEAR DOWN ON ENVELOPE COSTS



# Algerians try to stay cool in the quartiers chauds

Roula Khalaf reports from Algiers where constant fear pervades everyday life

In Bab El Oued, a "quartier chaud," or hot neighbourhood, as popular Islamist areas are called in Algeria, life seems to go on as usual.

But this is a country where more than 30,000 people have died since armed conflict between Islamist groups and security forces erupted in 1992, when the army-backed government cancelled elections the Islamists were expected to win.

Algerian women now gather to hold mock trials of Islamist leaders while officials show journalists grisly photographs of beheaded men and women; their faces mutilated, their bodies sliced in half. It is a country where foreigners are hunted like animals and those who remain live like prisoners in their own homes.

If the security forces are not visible, it is because they have become part and parcel of the civilian population, to the point where no one knows if the man brandishing a machine gun at a checkpoint is an Islamist extremist or a security officer.

"I go out, I drive around, I act as if nothing is wrong but at the same time I know that

at any moment something terrible can happen to me," says Malika, a 38-year-old Algerian who moved to France a few months ago but last week decided to come back.

Algerians caught in the middle of the conflict are learning to cope with this absurdity. Their first weapon of defence is psychological. So disgusted are they, and ashamed of the horror perpetrated by their countrymen, that they seem to treat the "violence" as if it were an alien force which has taken on a life of its own and has no links to their society, or to their history. "This war does not concern us," says Jamal, 34, an Algerian restaurant owner. "We are not identified in the conflict."

Because of the random nature of the violence, which targets everyone, but especially intellectuals and professionals, condemned by Islamist extremist groups, coping with everyday life has forced some to arm themselves, others to change their routine daily, move out of their homes and, for those without hope, plan a life outside their country.

Hamid, a journalist who has



Bombed out: the scene after yesterday's attack on Algiers police quarters. Nearly 100 were hurt

been condemned to death by Islamist extremists, now sleeps with a machine gun under his bed and never leaves at the same time in the morning. Last year, on the eve of the Moslem holy month of Ramadan, Hamid was driving from his parents' house outside Algiers when a police patrol mistook him for an Islamist guerrilla and shot him in the stomach.

"I have not been to see my parents in five months," he says. When he saw his restaurant business erode as foreigners left the country in droves, Jamal did not close shop. He simply changed the menu to cater to an Algerian clientele.

Three years ago, Mohammed, 36, a former army officer now in the import/export business, was living a quiet life in a quaint fishing town 30km east of Algiers. His town is now encircled by hot neighbour-

hoods, his wife has moved to France and he has moved in with his parents in Algiers.

"It has become like a Switzerland surrounded by Lebanon and Israel," he says of his town. "No, it is not true that all is well in Algiers, my life has completely changed, I stay away from public places. I have no freedom of movement and I know we bury corpses every day."

The cause of this "violence"

which touches the life of every Algerian is the subject of animated debate. Mohammed lays the country's ills squarely at the doors of the government which cancelled the 1992 elections, but his friend Nadir, 34, a print shop owner, who now shuttles between Algiers and Casablanca where his French wife has taken refuge, blames the Islamist movement instead.

"We are what is called the third force in Algeria and we argue but we stay friends," says Mohammed. "We try not to be divided because we all want democracy."

Nasreddine, 34, who works for his family's jewellery business, is tired of waiting for democracy and of the government's promises to reduce the violence to "tolerable" levels. Sales at his three stores have sunk to the point where he is planning a new life in Paris. "Life has become excessively expensive and people who have money and can afford to buy gold are no longer living here," he says.

These Algerians admit the madness could go on for years to come. But clinging to a fiercely nationalistic pride born out of the memory of a million lives lost during their war of liberation from France, they refuse to despair. Whether they denounce the Islamists, the army or both, their last words are often "on s'en sortira," we will make it.



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C O U

**NATIONAL SAVINGS**

SECURITY HAS NEVER BEEN SO INTERESTING.

# Fall in US jobless spurs rates rethink

By Michael Prowse  
in Washington

A sharp drop in the US jobless rate last month provoked a debate yesterday about the future direction of US short-term interest rates.

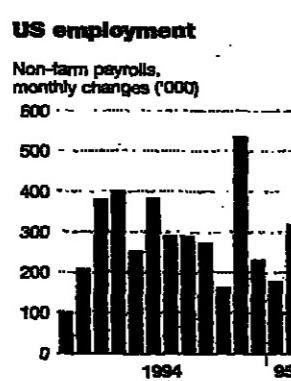
The Labour Department said the jobless rate fell to 5.4 per cent, against 5.7 per cent in January, while non-farm payroll employment increased by a robust 318,000, in line with monthly increases last year when the economy was surging ahead. January data was revised to show a net increase in jobs of 176,000, rather than 134,000 previously reported.

However, bond and equity markets seized on subsidiary data about average earnings and hours worked which traders assumed would make it less likely that the Federal Reserve would raise rates.

After weak jobs data in January, many economists assumed US economic growth was decelerating rapidly, eliminating the need for further increases in short-term rates, currently 6 per cent. That sentiment helped pushed the dollar down on foreign exchange markets.

The consensus view was that the jobless rate would fall only marginally last month to 5.6 per cent and that payroll employment would increase by only about 240,000.

Yesterday's strong figures suggest the economy retains considerable momentum, and some economists believe the data will put renewed pressure on the Federal Reserve to head off inflationary pressures by tightening monetary policy again. In Congressional testimony this week, Mr Alan Greenspan, the Fed chairman, gave a broad hint that rates might be raised again, in part because of the "troublesome" weakness of the dollar.



Analysts were divided over whether the Federal Reserve would raise rates later this month or at its next policy meeting in May, though the decision will be influenced by economic data due next week.

If figures for retail sales and industrial production are relatively strong and if data on consumer and producer prices show signs of emerging inflationary pressures, the Fed will be tempted to move sooner rather than later.

Mr John Lipsky, chief economist at Salomon Brothers in New York said financial markets had "an exaggerated view of the US economic slowdown".

The economy was expanding less rapidly than at the end of 1994 but it was still likely to grow at an annual rate of 3.5 per cent in the first quarter, Mr Lipsky said.

The Fed needed to tighten policy because there were "clear signs of accelerating price pressures in intermediate goods", he added.

The bulk of job gains last month were in services. Employment in manufacturing rose by 27,000, following average gains of more than 40,000 in the previous four months.

## INTERNATIONAL NEWS DIGEST

### Japan feeler to North Korea

Japan's ruling coalition plans to send a mission to North Korea, signalling the possibility of rapprochement with Pyongyang. The mission, next month, would be led by Mr Michio Watanabe, former foreign minister and a member of the Liberal Democratic party, the dominant coalition partner. Mr Watanabe aims to set the right climate for reopening talks, broken off three years ago, on the resumption of diplomatic relations, said Mr Yoshiro Mori, LDP secretary general.

The delegation is weighty enough to attract the likely backing of the Tokyo Foreign Ministry, said a senior diplomat. Until now, the ministry has kept aloof from the series of North Korean contacts by academics and politicians, acting individually. William Dawkins, Tokyo

### Zimbabwe aid is approved

The World Bank yesterday ratified external finance disbursements for Zimbabwe of \$752m for 1995 at a consultative meeting in Paris, up from \$568m last year. Delegates pledged \$175m in new finance on top of \$60m which had already been committed. About 38 per cent of the aid will be in the form of quick-dispersing balance of payments support, with the remainder as project aid. Some \$57m will be in the form of loans and \$235m as grants. The meeting praised Zimbabwe's government for continuing to implement a structural adjustment programme and taking steps to reduce its deficit, but stressed the need for additional efforts to reduce poverty. Andrew Jack, Paris

### Australia plans smaller deficit

Australia's federal government said yesterday that it would be taking the "starting point" for the 1995/6 budget deficit as 1.5 per cent of gross domestic product, when it came to compute detailed budget proposals for the next financial year. This is an improvement on the calculation put forward in the May budget last year, when the estimated deficit for 1995/6 was put at about 2 per cent of GDP. However, many economists still expect the government to improve further on the 1.5 per cent figure, as it draws up detailed budget proposals over the next two months. Nikki Tait in Sydney

### Karachi mosque attack kills 14

At least 14 people were killed and 25 injured yesterday in Pakistan's southern port city of Karachi when a bomb hidden in a motor-cycle exploded outside a Shia Moslem mosque and gunmen opened fire afterwards. The gunmen escaped. Up to four people were killed in two separate attacks elsewhere in the city. Almost 1,000 people have been killed in Karachi's ethnic violence over the past year. Farhan Baloch, Karachi

### Cholera hits Japanese tourists

The Japanese government has issued travel warnings following a series of cholera cases among Japanese tourists returning from the Indonesian island resort of Bali. Japan said 200 tourists had cholera or had the symptoms. The Indonesians say there have been no reports of locals or other tourists with the disease. Bali has become a favourite holiday resort for the Japanese over the past few years, and the number of tourists has climbed to an annual 500,000 from 90,000 10 years ago. Eniko Terazona, Tokyo

### Shanghai residents stage protest

Hundreds of protesters blocked Shanghai's "Golden Mile" shopping road for the second night running yesterday in an unprecedented protest against the demolition of old city neighbourhoods. Middle-class residents of Huaihai Road, home to fashionable boutiques selling Nikon cameras and Gucci bags, virtually sealed off an entire city block in a stand-off with police. Residents said they were told by housing officials leave their apartments by June to make way for commercial development. Resentment has been smouldering for years as whole neighbourhoods are flattened to make way for shops, hotels and offices. Reuter, Shanghai

## NEWS: INTERNATIONAL

# Economic strength spurs end of finrand

New-found political stability and a strong economy explain the decision to scrap the financial rand, says Mark Suzman

The South African government's decision to scrap the financial rand is a sign of economic confidence. After years of gazing wistfully at the large sums pouring into other emerging markets while having to use complex exchange controls to try to prevent its own economy from haemorrhaging capital, financial officials are optimistic the country is capable of successfully competing for international investment.

The key to this new-found self-belief has been the combination of unprecedented political stability brought about by last year's democratic elections and the surprisingly conservative economic policy followed by the African National Congress-led government of national unity.

The economic effects, which started to be felt in the second half of last year, have already

been gratifying. After falling slightly in the second quarter, economic growth rebounded strongly to reach 6.4 per cent by the fourth quarter. At the same time, a net capital outflow of R16bn (\$210m) in the first half of 1994 (which followed the departure of a net R15bn over the previous two years) was transformed into a net capital inflow of R8.5bn over the second half, giving South Africa its first annual net capital inflow since 1984.

After a nominal depreciation of 1.1 per cent in the value of the commercial rand between December 1993 and July 13 1994 the currency actually appreciated by 4 per cent over the next five months, with the Reserve Bank having to intervene to prevent it from rising too rapidly - a situation that has only reversed recently with the fall of the dollar, which the rand traditionally

tracks fairly closely. Similarly, net foreign reserves, while still low by international standards, climbed from close to zero in early 1993 to over R12.5bn now. In addition, Mr Chris Stals, Reserve Bank Governor, has said that he has access to credit lines worth another R15bn, of which R13bn remains unutilised, giving him the fire power to meet any big speculative capital withdrawals that might take place.

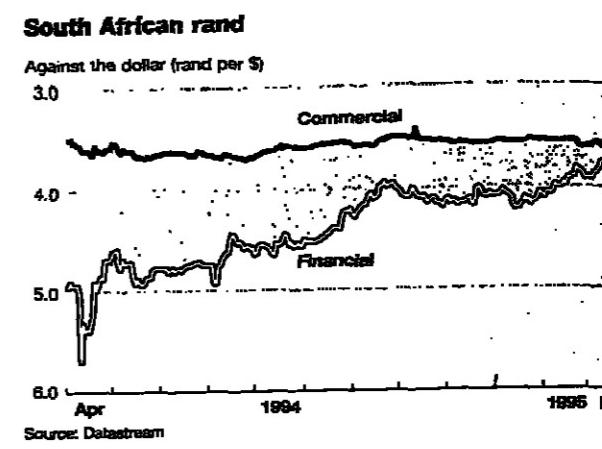
In the light of this, and with the raison d'être of the financial rand the protection of South Africa's foreign reserves against massive withdrawals, the two-tier currency has increasingly been seen by the domestic financial community as an archaic device belonging to a different political and economic era - a point of view that the government has now accepted.

Some economists had been hoping for a "big bang" approach - the ending of all exchange controls in one fell swoop along the lines of the United Kingdom in 1979 and New Zealand in 1984 - but the government has long warned that South Africa's unique political circumstances called for a gradualist approach.

The next big step is the relaxing of controls on South Africans taking money out of the country. This will probably lead to top institutions sending between 15 per cent of their assets overseas - a sum estimated at between \$15bn (\$23.1bn) and \$20bn.

The first move is allowing residents to invest abroad, an event that South African companies and institutions are eying with keen anticipation.

Given their long isolation from international markets, the goal of portfolio diversifi-



medium term by new foreign inflows as the strength offered by a unified currency, combined with the attractions of a growing economy, should prove far more of an incentive to investment than the old financial discount.

Financial authorities expect any short-term capital outflows will be more than offset in the

regulations, will stand or fall by the government's other fiscal and monetary policies.

If the ANC-led administration can present a sensible budget next week and continue its successful restructuring of the economy, the increasing international confidence those policies engender will reap the dividends of growing international investment.

## Next step may be to allow residents to invest abroad

By Mark Suzman in Johannesburg

The scrapping of the financial rand may be the most important part of dismantling South Africa's complex exchange control regime, but it remains only the first move, albeit a central one, towards establishing a fully open currency market.

Argentina nears deal on \$2bn IMF loan

By David Pilling in Buenos Aires

Argentina will "very soon" reach agreement with the International Monetary Fund for a loan of \$2bn (\$21.2bn) to help avoid a crisis in the ailing banking sector, according to Mr Domingo Cavallo, the economy minister.

Mr Cavallo is expected this weekend to prepare a fresh set of revenue-raising measures, believed to be a prerequisite to IMF assistance, following the implementation of a \$3.3bn austerity package last week.

The \$2bn IMF loan, which

would be a one-year facility, may be part of a \$5bn bank-rescue package being assembled. It would follow the disbursement of \$42m in IMF loans agreed last weekend.

The facility will be used as loans of last resort for struggling banks. Argentina's currency board system, in which pesos in circulation are fully backed by dollar reserves, prevents the central bank from fulfilling this role.

Argentine banks have been hit by a credit crunch unleashed after Mexico's devaluation. In the past 10 days, interbank short-term rates have remained well above 50 per cent, while two wholesale banks have failed and more than 30 banks are merging.

Among the new measures being considered are a fuel tax and an increase in value-added tax. After being told by their government they faced a prolonged recession, high inflation and a dramatic fall in real wages to overcome an economic crisis whose origins are still not fully understood.

President Ernesto Zedillo, who took office three months ago, promising prosperity, a stable currency and "well-being for your family", has now the unenviable task of implementing an economic shock programme that will cut family incomes by 25 per cent in order to halve the country's slide towards hyperinflation.

"I believed him," says Mr Norberto Zapata, the owner of a delicatessen he opened four years ago when the peso was strong and imported goods were cheap and plentiful. "I have already lost half of my customers and demand will continue to fall."

He doubts the emergency measures announced by finance minister Mr Guillermo Ortiz on Thursday night will succeed in stabilising Mexico's battered currency or control inflation, which the government

claims is the root cause of the current crisis.

Central bank measures aimed at stemming capital outflows help calm markets

## Brazil forced to raise interest rates

By Angus Foster in São Paulo

Brazil was yesterday forced to raise interest rates and alter the Real's trading bands, only four days after they were fixed, following sustained selling of the currency on Thursday.

The central bank also announced a package of measures to stem an outflow of foreign reserves and attract international investors back to Brazilian markets. Mr Persio Arida, central bank president, said the moves were designed to "tear out speculation by the roots".

The measures, although announced in an atmosphere of

near panic, calmed the currency and stock markets,

where the Real stabilised and the main Bovespa index rose 1.5 per cent by late afternoon.

The index had fallen 28 per cent since Monday, when the trading bands were set and the Real was devalued about 5 per cent. The currency was overvalued against the dollar and the government wanted a weaker Real to help its trade and current account balances.

The central bank changed the trading band for the Real, which had been set between 88 and 90 centavos to the dollar, to 88 to 98. The change followed a frantic day of trading

and will allow it to devalue the Real quicker than first planned, should it want to.

The bank was prepared to continue supporting the currency, but the government is thought to have been shocked by a sudden outflow of foreign reserves which could have prompted comparisons with Mexico's devaluation last December.

There was a net outflow of \$34m (\$320m) on Wednesday and the Real was estimated to have fallen by 1.5 per cent by Thursday.

The bank said the outflow was

partly due to foreign investors

pulling out of Brazil

and the market

was reacting to

the devaluation of the

dollar and the

Real's

overvaluation.

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## NEWS: UK

# Labour leader wins boost for reform plans

By Kevin Brown,  
Political Correspondent

Opposition Labour party leader Mr Tony Blair's campaign to drop his party's Clause 4 commitment to mass nationalisation looked certain to succeed last night after his proposals won unexpected firm support from the traditionalist Scottish party conference.

After a passionate appeal for support from Mr Blair, conference delegates voted by 58 per cent to 42 per cent to accept his plan to draw up a revised statement of the party's aims and objectives. A second motion

defending the existing Clause 4 commitment to "common ownership" of the means of "production, distribution and exchange" was defeated by 56 per cent to 44 per cent.

Mr Blair said he was "absolutely delighted" by the result. "It shows people that Labour is now speaking their language. It is a party they can now trust in government," he said.

The party leadership was openly jubilant about the unexpectedly high majority, which clears the way for final approval of Mr Blair's plans by a special conference in London on April 29. "We genuinely thought this vote was on a knife-edge. We are delighted

with the margin of victory," said a senior official.

Mr Blair and Mr John Prescott, deputy leader, who will spend most of the weekend drawing up a final version of the proposed replacement for Clause 4, which will be presented to a special meeting of Labour's national executive committee on Monday.

Several drafts are circulating among senior officials and shadow ministers, including one that supports a "dynamic market economy" and another that includes a cautious commitment to full employment.

The final draft is likely to run to four or five sections, including para-

graphs on the economy, democracy, social justice and the environment. However, the only certainty is that the statement will contain a commitment to common ownership where it is justified on grounds of economic efficiency or social justice.

In one of his most powerful party speeches, Mr Blair bluntly rejected leftwing demands that Clause 4 should be retained as the centrepiece of his revised statement of aims. "That is a cop-out," he told delegates. "No matter how you stretch it and turn it Clause 4 says we believe in common ownership of the whole economy. Words do have meaning, and we

should say what we really believe." Leftwingers claimed Mr Blair's proposals were part of a hidden agenda intended to help the leadership avoid committing itself to renationalising the privatised utilities. "However nice the butcher is, and he is nice, nobody buys a pig in a poke," said Mr George Galloway, MP for Glasgow Hillhead.

However, officials said that Mr Blair's appeal helped swing a majority of both trade union and constituency delegations behind his proposals, suggesting that leftwingers now have little chance of blocking change.

Mr Blair said he was "confident" of victory at the special conference.

# Widening trade deficit defuses optimism

By Gillian Tett  
Economics Staff

Hopes that the UK might have recorded a second current account surplus at the end of last year were receding yesterday after official figures showed a significant widening of the trade deficit in recent months.

The government's Central Statistical Office said the balance of visible trade with the rest of the world had almost doubled between the third and fourth quarter to £3.1bn (£5.1bn).

The figures for the balance in invisible trade - which covers financial flows and services - will not be published until later this year.

However, most economists suspect that unless the invisible balance shows a dramatic improvement, the current account will return to a deficit in the last quarter of the year, after going into surplus in the third quarter of the year for the first time for seven years.

A key reason for the swing in the trend, the CSO said, was a rise in consumer imports at the end of the year, primarily due to works of art.

But aside from this, the underlying pattern also suggested more subtle changes in the trade trends.

The UK recovery was sucking in more imported goods at the end of the year although imports had remained relatively flat during the summer. Imports of basic materials grew 8.9 per cent in volume terms between the third and

TRADE WITH COUNTRIES INSIDE AND OUTSIDE THE EU Balance of payments basis (£m seasonally adjusted)											
	Exports			Imports			Visible balance				
	European Union	Countries outside the EU	Whole world	European Union	Countries outside the EU	Whole world	European Union	Countries outside the EU	Whole world	Invisibles balance	Current balance
1993	63,924	57,376	121,300	67,961	60,733	134,694	-4,007	-8,557	-13,204	2,029	-11,925
1994	71,734	62,253	134,987	75,033	70,544	140,477	-3,929	-6,001	-11,730	2,029	-11,925
Q1	16,463	15,240	31,773	17,754	16,326	24,059	-1,271	-2,075	-3,348	1,521	-1,825
Q2	17,592	15,642	32,204	16,555	17,068	25,821	-983	-1,424	-2,417	1,318	-1,099
Q3	16,847	16,106	34,655	19,067	17,443	36,530	-540	-1,335	-1,875	2,367	492
Q4	15,182	16,223	35,385	20,287	18,190	36,477	-1,125	-1,067	-3,092		
May	5,749	5,136	10,685	6,171	5,795	11,988	-422	-659	-1,081		
June	5,977	5,280	11,257	6,301	5,618	11,919	-324	-333	-662		
July	6,028	5,384	11,512	6,176	5,874	12,059	-148	-480	-638		
Aug	6,256	5,376	11,632	6,444	5,789	12,243	-188	-223	-511		
Sept	6,263	5,348	11,511	6,047	5,707	12,027	-204	-422	-526		
Oct	6,305	5,348	11,714	6,604	5,908	12,412	-236	-460	-598		
Nov	6,408	5,605	12,011	6,758	6,007	12,765	-352	-402	-754		
Dec 1	6,390	5,270	11,660	6,925	6,375	13,300	-535	-1,105	-1,640		

# Barings auditors changed in August

By William Lewis in Singapore and Nicholas Denton

Coopers & Lybrand, the chief auditors for the Barings group, only took over the audit of Baring Futures (Singapore) last August. It emerged yesterday.

Before then the results of the derivatives operation headed by Mr Nick Leeson, which brought down Barings, were checked by Deloitte Touche Tohmatsu.

Ernst & Young, administrators of Barings plc, said this week it was exploring litigation and examining the conduct of the auditors and other institutions for the collapse.

Defenders of Coopers said it could not be held responsible for lax management controls which predated its involvement.

It is believed that Coopers had no part in the internal audit report which criticised Mr Leeson's Baring Futures operation. Nor were Coopers supervising the accounts of Baring Futures when Mr Leeson is believed to have begun trading in his secret account, number 88888, in January 1994 or before.

But Coopers were auditors of Baring Futures when Mr Leeson allegedly forged a payment to obtain provisional audit clearance of the unit, according to the Singapore authorities' extradition proceedings against Mr Leeson.

Units other than Baring Futures (Singapore) have had auditors other than Coopers & Lybrand, Barings' main auditors. Deloitte Touche Tohmatsu, KPMG and PwC audit group companies in Taiwan, Indonesia, Philippines, Australia, Bermuda, Switzerland, and Luxembourg.

Mr Peter Norris, chief executive of investment banking at Barings when the bank collapsed, has not yet been included in the liaison committee created to oversee its continuing businesses.

Internationale Nederlanden Group, which has acquired Barings, has not finalised membership of the committee, which will supervise corporate finance, securities and asset management operations.

But Mr Norris was not present at the liaison committee's first session on Thursday evening. He was the only executive director not there from the board of Barings plc, the holding company of the group until the collapse.

Phone rates probe set: Mr Don Cruickshank, director-general of Ofcom, the UK telecommunications watchdog, is to investigate the rates charged by British Telecommunications and Mercury Communications to other telecoms operators for carrying certain international calls. The investigation has been stimulated by new tariffs - City to City and Marketlink - established respectively by BT and Mercury to offer large business customers low cost international communications. Mr Cruickshank said that for some of BT's tariffs, the interconnection rate was higher than the retail price. Mercury's tariffs were generally lower than the retail rate but still merited investigation.

Construction output up 3%: Total construction output in the UK rose 3 per cent last year, the first annual increase for four years, figures published by the Environment Department show. Construction orders, however, fell by more than a fifth in the final three months of last year compared with the same period in 1993.

Tate Gallery conman is jailed: A conman who tried to trick the Tate Gallery into paying £30,000 for two stolen masterpieces by Turner worth £24 million was yesterday jailed for seven months at the Old Bailey.

The paintings - "Shade and Darkness" and "Light and Colour" - owned by the Tate since 1856 were stolen while on loan to a gallery in Frankfurt, Germany.

A massive secret police operation codenamed Beano was set up by the Arts and Antiques squad after Ebony Nwanosike, 23, made a series of telephone calls to the gallery.

Nwanosike threatened a director of the Tate, Alexander Nairn, that the two paintings - which are still missing - would be sold abroad unless £30,000 was handed over, said Jeffrey Pagden, prosecuting. Judge Mr Recorder Chadwin QC described the attempt to get the cash as "amateurish".

Just two days after the paintings disappeared the first telephone call from Nwanosike was made to the Tate.

Arrangements were made to meet Mr Nairn outside a London Tube station on August 5 last year. But a police officer took the gallery director's place.

# Japanese plants set for works councils

By Robert Taylor,  
Employment Editor

Britain's Trade Union Congress said yesterday it expected large Japanese companies with plants in the UK would establish consultative works councils for all their employees, despite the government's opt-out from the European Union's social chapter of the Maastricht treaty.

"Japanese companies foster a culture of trust and confidence in their workforce and I cannot imagine them excluding a substantial part - and sometimes a majority - of their European employees from consultative arrangements", said Mr John Monks, the TUC's general secretary yesterday. "I fully expect them to adopt a pragmatic and commonsense approach and voluntarily include British workers," he added.

The TUC has calculated there are 27 Japanese-owned companies with British subsidiaries employing over 40,000 workers who will be covered by the European works council directive. These include Fujitsu (whose UK subsidiary is ICL), Hitachi, Honda, Mitsubishi, Nissan, Sony and NEC.

Under the EU directives information and consultation arrangements must be established in all companies employing more than 1,000 employees inside the European Union with more than 150 in at least two member states.

"The unseemly public quarrels in the government about the future of our engagement in the European Union cannot be attractive to Japanese investors", Mr Monks said in a speech to the Anglo-Japanese economic institute yesterday. He added: "Japanese investors look for stability and certainty in their relations in host countries, not for low wages and the low aspirations of the Little Englanders. Doubts cast on our commitment to the European Union and to the economic and social policies which all our partners have embraced can only deter foreign investment in Britain". Mr Monks also said he was concerned that the low level of training in the UK does not make the country attractive to Japanese companies.



Sotheby's auctioneers yesterday showed off what they consider the prime attraction of a forthcoming sale of Concorde memorabilia from the Naval and Aircraft Museums collection of Wensley Haydon-Bullie (above). The nose section, valued at £25,000 (\$39,920), was used in prototypes of the Anglo-French airliner that were tested at a British factory, Sotheby's said. The sale takes place on March 16.

# Hurd scorns rising tide of Tory ideology

By Robert Peston,  
Political Editor

Mr Douglas Hurd, the foreign secretary, last night launched an attack on the rising tide of ideology in the Conservative party by calling for an agenda based on public service.

In what may be seen as a rear-guard action against right wing ideologues, such as Mr Michael Portillo and Mr John Redwood, leaders in the debate about the future of the Conserva-

tive party, the foreign secretary said: "We do not need to fortify ourselves with great new riffs of ideology".

Speaking at Birmingham University in the Midlands, he added: "I believe that developing the idea of service is one way to give ourselves ballast".

Citing attempts by government to reform the civil service and the BBC, he said: "Competition and market testing are important, but they are not ends in themselves. The

BBC and the civil service are ultimately about public service".

He continued: "Recognising that role is in the mainstream Conservative tradition. Service to others, service to the community, public service - different branches of the same tree".

Mr Hurd said that attempts to measure public sector performance by making comparisons with the private sector were useful, but that they

were not ends in themselves. His speech was littered with phrases which will enrage

party's right wing. He described the party's success in the twentieth century as being based on its ability to embrace dominant social changes.

"It was partly under Conservative rule that... trade unionism and state intervention... progressed in the first two-thirds of this century," he said, while Labour was now embracing the Conservative achievements of the 1980s.

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party's right wing. He described the party's success in the twentieth century as being based on its ability to embrace dominant social changes.

"It was partly under Conservative rule that... trade unionism and state intervention... progressed in the first two-thirds of this century," he said, while Labour was now embracing the Conservative achievements of the 1980s.

Some of the resentment is general and territorial. Whatever they might say in public, British officials do not appreciate the Americans "meddling" in intricate negotiations.

Some of it is more specific. Underlying British policy both before the launch of the framework document last month and since has been the need to nudge public opinion in time

with the incremental upgrading of links with Sinn Féin.

It is a dangerous game - which almost blew apart after the leak to the press of extracts of the document - but it has so far worked.

Attempts at assuaging Unionist fury were not helped by Sir Patrick's attempt to clarify the decommissioning issue while in Washington. British officials insist his remarks did not imply a softening of the British position. But it was seen as such, and in this highly sensitive arena it is perceptions that count.

"There is an impression that we are capitulating all the time," one official said. "We are not

## COMPANY NEWS: UK

# Cautious Exco shows 5% rise to £43.5m

By Patrick Harverson

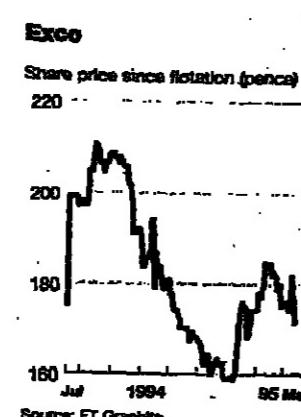
Exco, the money broker which returned to the market last summer after a long absence, reported a small increase in 1994 pre-tax profits from £41.5m to £43.5m.

The improvement in profitability, achieved on an 11 per cent rise in turnover to £234.4m, was broadly in line with expectations. But the results did not help Exco's shares. They fell 9p to 173p against last July's flotation price of 179p.

The decline was blamed on a cautious statement from the group about its prospects for 1995 and on a disappointing second half after a surge in business early in the year.

In Exco's main businesses of spot foreign exchange, money markets and derivatives, and fixed income securities, conditions were exceptionally favourable in the first few months because of economic recovery, rising US interest rates and political and economic uncertainty in Japan.

But then trading activity fell away, particularly in the Asia Pacific region, a key market, and only recovered slightly in the past few months. Mr Peter Edge, who took over as chief



Source: FT Graphics

holders have had a bumpy ride. This is not surprising, given that the money broker's revenues are tied so closely to the ups and downs of trading activity. Aside from coping with unpredictable market conditions, Exco also operates in a highly competitive field, with customers exerting persistent downward pressure on commissions. In addition, competition is increasing in foreign exchange broking - three recently launched screen-based automated trading systems have already won some business from the established voice-based brokers. Yet, despite the new entrants and the depressed market conditions, Exco had a creditable year. The sudden departure in October of Mr Sandler may have temporarily dented investors' sentiment, but it has had little effect on the underlying business. The share price is vulnerable because no one knows when, or whether, trading activity will pick up substantially. Consequently, analysts are expecting little in the way of growth this year, predicting pre-tax profits of about £44m - a multiple of just under 9. Given the unpredictable nature of its business, Exco is not for the faint-hearted.

## • COMMENT

## INTERNATIONAL COMPANIES AND FINANCE

**Air France to recoup Sabena outlay**

By John Riddings in Paris

Air France expects to recoup about FF19.2bn (\$202m) from the sale of its stake in Sabena, the Belgian carrier which is close to an alliance with Swissair, Mr Christian Blanc, chairman, said yesterday.

The head of the French flag carrier said agreement had been reached to sell its stake back to the Belgian government and the receipt of the proceeds was not affected by conditions attached last year by the European Commission to a FF120m capital injection from the French state.

Air France owns just over two thirds of Finacta, a holding company which owns 37.5 per cent of Sabena. Mr Blanc said the proceeds from the sale

of its stake represented the total of its investment, which was agreed in 1982.

Mr Blanc confirmed Air France was cancelling orders and options for aircraft from Airbus and Boeing. The decision, which concerns an estimated 17 aircraft, prompted an angry response when it was revealed at the end of January, particularly from Airbus, the four-nation European aircraft consortium.

Mr Blanc said negotiations were under way with the aircraft manufacturers about Air France's need to reduce its fleet. He indicated that the decision concerning the change in the orders would be based on financial and not political considerations.

Mr Blanc made his com-

ments ahead of the launch of new products and tariffs for its European operations. The new products, to be launched next week, are expected to include cabin redesigns and new seating. They will be followed in October by the launch of products for its long-haul services.

The investments for the overhauls represent about FF120m and FF19.2bn respectively.

The Air France chief said the company was on target with its three-year restructuring plan aimed at curbing losses which totalled FF8.5bn in 1993.

Mr Blanc said the objective of reducing losses to about FF8.5bn in the 15 months to the end of March would be achieved. But he added that the company was only between

25-30 per cent of the way along the road to recovery.

Mr Blanc confirmed the French carrier was in negotiations with American Airlines and Japan Airlines about the formation of an alliance. He said that of the US carriers, Air France preferred to form a partnership with American. But he added that there was "no need to rush" in seeking to finalise an agreement.

The biggest problem facing Air France was the fall in its revenues per passenger per kilometre.

Mr Blanc said the problem was being addressed through new products and through a new computerised yield management system bought from American Airlines earlier this year.

**Canal Plus reassures investors**

By Andrew Jack in Paris

The chief executive of Canal Plus, the French pay-TV company, yesterday made efforts to reassure the markets about the group's financial health after unveiling unexpectedly low profits on Thursday.

Mr Pierre Lescure said the company remained in "very good health" but had over-expanded last year in a series of moves that almost halved its net income to FF626m (\$126m).

News of the results came after the Paris bourse had closed on Thursday, but caused a drop of more than 10 per cent in value of the shares yesterday and triggered their temporary suspension.

While total revenues rose 10.3 per cent to FF9.6bn, consolidated operating costs dragged net income down 47.9 per cent after a growth in programming costs relating to regulatory obligations; an increase in depreciation charges on new decoders to cut down on illegal de-scrambling of its broadcasts; and provisions for production activities.

A write-down of its loans to and shares in Carollo, the US-based production company in which it holds a 17 per cent stake caused a FF120m exceptional charge after tax credits.

**Gemina shares tumble on fears of unexpectedly heavy losses**

By Andrew Hill in Milan

Shares in Gemina, the Italian investment group partly owned by Fiat, fell by 9.5 per cent yesterday ahead of the official announcement of unexpectedly heavy losses and plans for a L3.56bn (\$824m) rights issue.

Gemina announced that for the 1994 calendar year it would lose about L250bn, after discovering that RCS's newspapers, which include Corriere della Sera, the Milan daily, were still performing well. Gemina said it would have to look at a "strategic reorientation" of the company, centred on its magazine and newspaper activities.

Information on the results to an Italian newspaper.

Gemina has a 9.9 per cent stake in RCS, which includes the Rizzoli publishing house, but only realised the extent of the loss after an RCS board meeting on Thursday.

The group said yesterday the problems seemed to be centred on the video and book subsidiaries. RCS's newspapers, which include Corriere della Sera, the Milan daily, were still performing well. Gemina said it would have to look at a "strategic reorientation" of the company, centred on its magazine and newspaper activities.

**Dasa and Nortel form alliance**

By Michael Lindemann in Bonn

Daimler-Benz Aerospace (Dasa), the aviation and aerospace division of Germany's biggest company, yesterday said it would invest DM300m (\$215.8m) in telecommunications over the next five years as part of a joint venture with Northern Telecom (Nortel), the Canadian maker of telecoms hardware.

The new company will specialise in management systems for telecommunications and multimedia technology. Dasa said it would use its expertise

To help pay for the relaunch of RCS and GPT, the recently acquired Turin clothing manufacturer, Gemina said it was planning a rights issue raising an initial L1.327bn, and a further L1.998bn through the exercise of warrants.

The shares will be offered on the basis of four for every five already held, at L1.000 a share, against the closing price yesterday of L1.061, down L1.10 on the day.

Gemina's principal investors, led by Sicordi, a Fiat subsidiary, with a 28 per cent stake, have said they will take up their rights.

In satellites to develop new telecoms technology. The joint venture will build metropolitan area networks or MANs, the fibre optic communications systems which were premiered earlier this week in Germany when the city of Frankfurt announced it would build a 10km MAN.

Dasa and Nortel have equal stakes in the new venture, called Nortel Dasa Network Systems, which was first announced in January. The new company will have 600 employees and will be based mainly in Frankfurt and the

southern German town of Friedrichshafen.

Nortel Dasa hopes to sell its hardware to companies operating in buoyant telecoms markets. It will be hoping to take advantage especially of the German market, the third largest in the world, where several international alliances have been created this year, all hoping to win the right to operate a voice telephone network after the market has been liberalised early in 1998.

"This is a strategic investment in a rapidly expanding market," Dasa said.

**Scottish TV at £2m after write-off**

By Christopher Price

Scottish Television yesterday reported a 31 per cent fall in operating profits from £13.1m to £9.11m for 1994 and announced the sale of its outplacement service agency for a minimum of £9.6m.

The sale of Alternative International to Coutts Consulting Group involved a £7.5m write-off against goodwill and sent the station's pre-tax profits down from £13m to £2m. As well as the initial consideration of £9.6m, a further £3.6m, which is profit-related, could be paid over the next three years.

Scottish blamed the fall in operating profits on it being forced by an OFT decision

to switch its advertising sales business between sales houses mid-year. Revenues were also affected by a dispute with Unilever.

Advertising revenue slipped 3.2 per cent to £73.5m (£75.9m) while the group's share of the market fell from 5.3 per cent to 4.8 per cent. However, the group said that a new sales house had been successfully integrated and Unilever had signed a new three-year deal.

The station forecast advertising revenue would rise by 8 per cent in the first four months of 1995.

Turnover from continuing operations slid 5 per cent to £118.3m (£125m). Earnings per share dropped from 21.29p to 11p, making 1.5p (nil).

## NEWS DIGEST

**Sunleigh £646,000 in the red**

Sunleigh, the branded consumer products group, is paying its first dividend since 1989 despite announcing pre-tax losses of £646,000 for 1994.

The figure, which compares with profits of £208,000, was after exceptional costs of £972,000 (£936,000) including an £800,000 provision against future property liabilities.

Mr Robert Updell, the chairman, said that in June, at the time of the £17.9m acquisition of MacIaren, the pushchair maker, the group had expected a far better result. However, the benefit of MacIaren's peak seasonal trading period would be seen in 1995, he added.

Turnover amounted to £24m (£15.7m), although excluding MacIaren which fell to £1.4m.

Looking ahead, Mr Updell said that provided there were some recovery in its main European markets there were grounds for remaining optimistic in 1995. This, together with the net cash of £617,000 at the year-end, had enabled the directors to propose a nominal dividend of 0.65p.

Losses per share were 0.28p (0.05p earnings).

The shares rose 1/4p to 3/4p.

**Forward Technology**

Continuing the recovery begun in 1993, pre-tax profits at Forward Technology Industries, the electronics and audio group, almost doubled in 1994, from £89,000 to £1.75m.

Last year's result was after a £696,000 exceptional charge for restructuring. However, oper-

ating profits improved from £1.34m to £2.23m, on turnover of £49.1m, against £43.8m. Sales in North America were up 60 per cent.

Earnings per share emerged at 6.2p (0.5p). A recommended final dividend of 1.5p brings the full-year pay-out to 2p, compared with last year's nominal single final of 0.25p.

**Wellcome dividend**

Following the acceptance of Glaxo's £25m bid for Wellcome, the pharmaceutical company, a further announcement is to be made concerning the timetable and amount of Wellcome's proposed final dividend.

It has been decided that it was inappropriate to continue with the proposed marking of Wellcome shares ex the proposed final of 16p on March 13.

**Wills Group**

Shares in Wills Group were suspended at 14 1/4 yesterday at the company's request pending the result of talks which may lead to a recommended offer for the company.

A further announcement could be expected shortly, the directors said.

**Carlisle turnaround**

Carlisle Group had pre-tax profits of £1.2m for 1994, compared with a loss of £2.87m last time.

The group, which last November completed its transformation from financial services to a property investment company with a placing and open offer to fund property purchases, returned to the black at interim stage with pre-tax profits of £1m.

The timing had the effect of delaying the identification of problems with two main contracts which had been keenly priced in late 1993-94 reflecting the then prevailing market conditions, it said.

**Serif losses deepen**

Serif, the printing and packaging group, continued to trade at a loss during the second half as anticipated at the interim

announcements, giving increased full-year losses of £1.3m against £1.24m.

Turnover for the year to December 31 was up at £21.1m (£19.2m).

Losses per share came out at 17p (13.9p). The company has not paid a dividend since 1991.

**Golden Rose buy**

Following the granting of a full listing, Golden Rose Communications is to acquire the remainder of the issued ordinary and preference share capital of London Jazz Radio.

The recommended offer values LJR at £7.62m.

Golden Rose, which already owns 46.558 LJR ordinary - representing 92.9 per cent - has received an acceptance from Westinghouse Electric in respect of 34,778 of the 35,800 LJR shares not already owned.

LJR ordinary shareholders are being offered 10.95 new Golden Rose ordinary 1p shares for every LJR ordinary.

On a basis of 135p per Golden Rose share - the price at which they were placed prior to the commencement of dealings on March 9 - this means each LJR share is 31.75p.

A further announcement could be expected shortly, the directors said.

**Albrighton trading**

Shares in Albrighton fell by 17 per cent to 11.42p yesterday after the US quoted quarrying company said that trading results for the year to March 31 would be adversely affected by the late call-off of supplies by a number of customers, as indicated in the interim report in December.

The timing had the effect of delaying the identification of problems with two main contracts which had been keenly priced in late 1993-94 reflecting the then prevailing market conditions, it said.

**Argus publishing**

Earnings per share worked through at 11.42p (10.26p) and a final dividend of 2.56p is proposed for a total for the year of 3.24p.

**Union Pacific pays \$1.1bn for railroad**

By Richard Tomkins in New York

Union Pacific, the US freight railroad recently thwarted in its \$3.6bn takeover bid for Santa Fe Pacific, yesterday claimed a consolation prize by agreeing a \$1.1bn takeover of Chicago and North Western Transportation, the eighth biggest US railroad in terms of route mileage.

It owned 29 per cent of Chicago and North Western's stock, but it has now agreed to pay \$35 a share in cash for the rest of the company's equity.

Mr Jacques Calvet, chairman of the Peugeot group, and Mr Louis Schweitzer, chairman of Renault, agree on the promise of markets in the Asia Pacific region and South America.

Union Pacific's main motive for buying Chicago and North Western is to acquire control of CNW's route between Chicago and Omaha, Nebraska.

The route will provide a short cut between the two points for Union Pacific's coal and grain and intermodal traffic.

The deal will allow the two companies to operate more efficiently making better use of staff, tracks and locomotives.

Earlier this week, Union Pacific won permission from the Interstate Commerce Commission, the federal railroad regulator, to exercise voting control over its 29 per cent stake and to increase its ownership to 100 per cent.

When Union Pacific first made its control application to the ICC at the end of last year, it indicated that it was not necessarily interested in a full takeover.

But last month it was defeated by Burlington Northern in its bid for Santa Fe Pacific, another first division freight railroad.

The deal is the latest in a series of attempted mergers in the US railroad industry. Of the rest, one between Illinois Central and Kansas City Southern and another between Conrail and Norfolk Southern have come unstuck, and the Burlington Northern/Santa Fe deal has yet to be approved by the ICC.

We wish to expand more and more in markets outside west Europe, outside Japan. We have to be in Japan as a symbolic presence.

Mr Calvet says that the group was considering an investment of \$4bn in order to compete again in the US. If it was \$4bn then the file would be closed immediately, he says.

Mr Calvet says that the study team's initial report should be completed by the end of June.

"My idea is to look very carefully whether it is possible to organise a sensible basis for operations in the US. But it is very difficult in terms of products, trade, financial efforts and manufacturing. We are at the beginning of the beginning of the process."

He considers it would be necessary to produce cars in the US rather than simply exporting from Europe because of the potential financial exposure to big fluctuations between the US dollar and European currencies.

"We have been relatively strong for a long time in Africa and in the Middle East, and we have been making progress during the last five years in south-east Asia and in South America. The only very important blank on our map, now or in the future, is the US and Canada."

Mr Calvet says that the group has learnt from past experiences that it is necessary to conceive cars from the beginning for the American market and not simply to modify European products.

The deal is the latest in a series of attempted mergers in the US railroad industry. Of the rest, one between Illinois Central and Kansas City Southern and another between Conrail and Norfolk Southern have come unstuck, and the Burlington Northern/Santa Fe deal has yet to be approved by the ICC.

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## COMMODITIES AND AGRICULTURE

WEEK IN THE MARKETS  
Japanese buyers hold back

Turmoil in currency markets this week and a plunging US dollar caused many commodity buyers to pause and think. Consequently, activity in most commodity markets, where prices are mainly quoted in dollars, slowed markedly. Traders suggested that some buyers were standing back to see how far the dollar would fall. But more complex factors were at work. For example, Japan, as the world's second largest consumer of aluminium, zinc and copper and the third biggest of lead, might have been expected to jump at the opportunity to buy dollar-denominated metals after the Yen rose sharply.

LINE WAREHOUSE STOCKS  
(as at Thursday's close)

Aluminium 25,825 to 1,222,725

Aluminium alloy 4,500 to 28,540

Lead 4,700 to 30,325

Nickel 3,888 to 12,304

Zinc 6,750 to 7,027,100

Tin 350 to 24,160

Total daily turnover 80,657

Close 1806-10 1845-8

Previous 1810-11 1847-7.5

High/low 1809/1830

AM Official 1806-7 1843-4.5

Kerb close 1805-1

Open Int. 226,182

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## FINANCIAL TIMES

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Saturday March 11 1995

## Currency tempests

**T**he US dollar was on special offer this week. With the American currency reaching historic lows against the yen, so many Japanese customers sought to buy dollars at bargain prices that one Tokyo cash dispenser ran out of dollar notes.

The dollar's decline is part of a long-term trend that dates to the Plaza agreement of September 1985, when the leading industrial countries agreed to take action to depress the overvalued US currency. Back then, it bought nearly three D-Marks and more than 240 yen; this week, it can barely buy 1.4 D-Marks and 90 yen.

To the average consumer outside the US, the dollar looks like a bargain. Adjusting the last Economist Big Mac index (conducted in April 1984) for recent exchange rate movements, a McDonald's burger costs just \$2.30 in the US, compared with the equivalent of \$3.30 in Germany and \$4.34 in Japan.

In the short run, as this week's events have shown, foreign exchange markets pay little attention to such issues as the relative prices of consumer goods. Capital flows and investor sentiment, both of which sometimes tend towards panic, often override fundamental value.

Although the past week has lacked some of the drama of the 1992-93 crises in the European exchange rate mechanism, the turmoil has been on a wider front. The dollar has joined several European currencies, including sterling, in reaching all-time lows against the D-Mark. But while the US currency has also dropped to a post-war low against the yen, it has strengthened against the currencies of its main trading partners, the Mexican peso and the Canadian dollar.

Exchange rates are an expression of the value of two currencies, not just one: the recent turmoil has been caused by the strength of the D-Mark and yen as much as by the dollar's weakness. But the focus has been on the dollar, as the world's most heavily traded currency. It's troubles can be traced to the Mexican crisis in December. The \$20bn US aid package following the collapse of the peso left markets with the impression that the US would pick up the tab for the problems of its southern neighbour.

It also marked a turning point in bringing home the dangers of investing in high-risk areas, particularly countries with high current account and budget deficits. In the early 1990s, said Mr Nick Knight, analyst at Nomura, investors followed the "Star Trek" strategy of boldly going where no man had gone before. This year, global investors are mainly concerned with avoiding risk. The D-Mark has benefited because of the Bundesbank's long-term reputation as a stable bulwark against inflation.

Furthermore, in making the domestic economy a priority over stabilisation of their currencies, the US, Japan and Germany are not just being whimsical or obtuse. Their economies are either rather closed to trade, with the ratios of trade to GDP being only about 16 per cent for the US and Japan, or they do much of their trade with their immediate neighbours.

Whether or not currency instability is indeed undesirable, nothing effective will be done about it. The most one can hope for is for each of the big three to stabilise domestic inflation at low levels and keep fiscal deficits both small and stable. For the rest, exchange rate instability is something that people just have to live with, like the weather.



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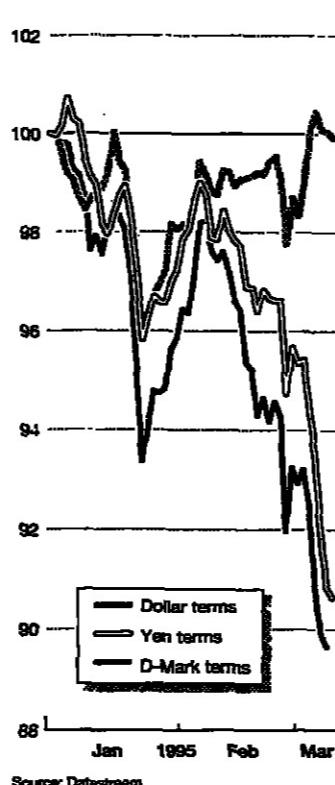
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# Dollar at bargain basement prices

**P**hilip Gawith and Philip Coggan assess why the US currency fell and explain who has gained and lost from the turbulence

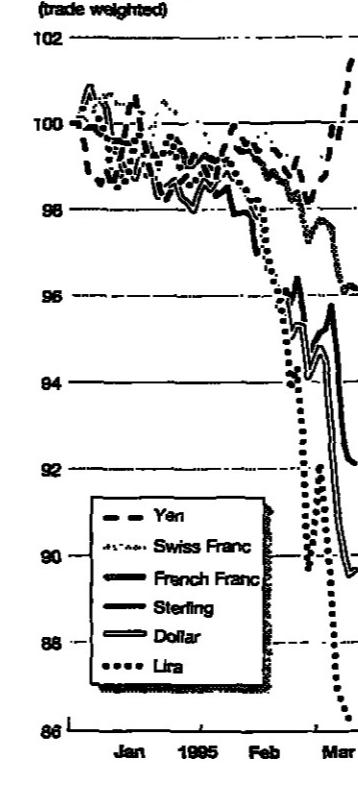
### World markets: the flight from risk

FT-A World Index

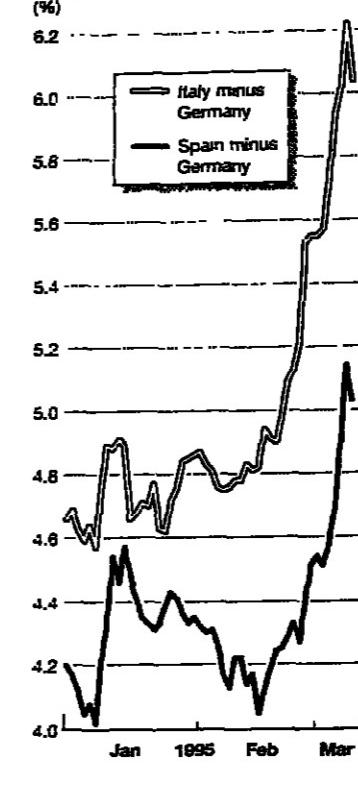


Source: Datastream

Indices relative to the D-Mark (debt weighted)



Long bond yield differential (%)



CAC-40 index dropped to its lowest level since December 1992, while emerging market indices have been badly battered by the fall-out from Mexico. The FT World Index of shares looks stable in dollar terms this year, but only because the US currency has been so weak. A yen or D-Mark based investor in the index has suffered losses of about 10 per cent so far this year.

Are any of these problems sufficiently serious to require, or expect, an official response? One of the factors behind recent dollar weakness has been the market perception that nobody cares sufficiently to take action. The Clinton administration is still identified with the weak dollar policy of its first two years in office - designed to lower its current account deficit with Japan. The US Federal Reserve has no tradition of raising interest rates to help the dollar. Recent Fed utterances have reinforced the view that domestic economic considerations remain paramount.

**A** similar domestic focus is apparent at the Bundesbank. It remains committed to a strong D-Mark as a central pillar of its anti-inflationary policy, and has shown little inclination to cut interest rates to help foreign governments, especially when it believes such countries must first put their own houses in order.

The Bank of Japan, however, has been much more vocal in its protestations about the effects of the stronger yen. Japanese companies have increasingly been siting plants abroad in response to the yen's appreciation. One way of weakening the yen would be to cut Japanese interest rates. However, the Japanese authorities are nervous about doing so for fear of repeating the mistakes of the mid-1980s when excessively loose monetary policy led to an asset price bubble.

The alternative approach would be sustained foreign exchange intervention: selling yen to buy dollars would loosen policy by boosting the amount of yen in the domestic economy. However, as recent events have shown, foreign exchange intervention is notoriously unsuccessful in moving markets in the absence of supportive economic policy changes.

Many observers believe the US dollar's long-term structural decline, and the problems of European countries such as Spain and Italy, can be arrested only by policies that address their budget and current account deficits. Considerable doubt remains as to whether the political will exists to take on these tasks.

In the shorter term, the best hope seems to lie with the Fed. Some analysts think that the Fed will be forced to raise rates because the lower dollar will add to US inflationary pressure. In any case, signs of continued economic strength may yet persuade the Fed to act, especially if the February inflation and retail sales data - released next week - show signs of inflation or economic buoyancy.

Higher US rates, by boosting the dollar against the D-Mark, might take the pressure off the weaker currencies in Europe. It could also help bond markets to rally by soothing inflationary fears.

However, even without a Fed rate rise, the enthusiasm to buy the dollar shown this week by Japanese and German consumers may signal that the markets have gone too far, and the turning point could be in sight.

To most people, the turmoil in the markets often seems remote and of little importance

D-Mark terms than a year ago. This week, German tourists were reported to be buying dollars in 15 times the normal volume at one Munich bank. And while US tourists may find European holidays more expensive, trips to Mexico will be cheaper.

For UK tourists, it is now more expensive to visit most European countries and Japan, but cheaper to travel to the US and dollar bloc countries. German and Dutch shoppers should find profitable opportu-

nities for bargain-hunting in neighbouring countries with less buoyant currencies.

• The US economy: Mr Carl Wehrberg, chief economist at High Frequency Economics in New York, says the weaker dollar is "good for America. It's good for us guys." The increased competitiveness of US goods in Europe will be a welcome antidote to the fall in US exports to Mexico and Canada, its main export markets, that will follow the greater falls in their currencies.

• The Japanese economy: While Japanese exports have diversified into Asia, and are less dependent on the US economy than in the mid-1980s, it is possible that the yen's strength, added to the effects of the Kobe earthquake, could halt the faltering recovery.

• Citizens of high debt countries such as Spain and Italy: The difference between government bond yields in indebted countries and those in Germany has widened substantially in recent weeks. When yields rise, the cost of government borrowing increases, making it even more difficult to tackle the budget deficits without substantial cuts in public services.

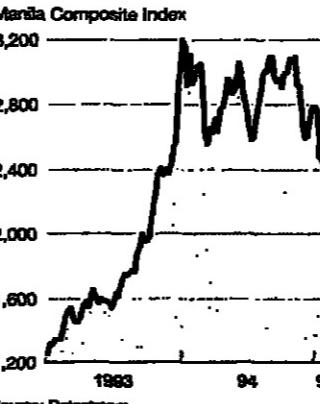
• International investors: Wall Street has been fairly strong this year, with the Dow Jones Industrial Average passing the 4,000 mark. However, most world stock markets have been weak: in Paris, the

Edward Luce on Philippine efforts to stave off the 'tequila syndrome'

## A very different sort of peso

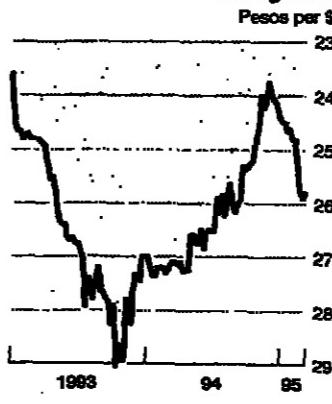
Philippines: hit by emerging markets turmoil

Stock market  
Manila Composite Index



Source: Datastream

Exchange rate  
Pesos per \$



central bank's defence of the peso could become self-fulfilling and lead to a Mexican-style collapse of the currency, government supporters have hastened to correct popular misconceptions.

"I have yet to hear a serious or respected economist argue that there is a parallel between the Philippine and Mexican economies," says Mr Howard Handy, Manila representative of the International Monetary Fund, which approved a \$650m, three-year credit facility for the Philippines last June. "The Philippine economy is in good shape and looks set to improve."

Annual inflation in the Philippines has fallen sharply to 5.1 per cent in February from more than 9 per cent last year, while the budget surplus of 1.2 per cent of GNP last year (admittedly boosted by privatisation proceeds) would place the economy ahead of most European Union countries trying to meet the Maastricht convergence criteria for a single EU currency.

Only 25 per cent of Philippine government external debt is held in short-term maturities, indicating the debt is manageable. Annual debt-service obligations, at 16 per cent of export earnings, are half as burdensome as those of Mexico.

Manila's high-performing stock exchange has also been relatively steady. The index rose by 133 per cent in 1993, and came out of last year's emerging markets decline in better shape than many competitors: the index fell only 13 per cent last year, and has again dropped 13 per cent this year.

But the Philippines is not immune to the kind of currency market volatility that has shaken stronger economies elsewhere.

Only the most bullish economists express any certainty that the Philippines - or other developing economies such as Argentina and Indonesia - will emerge from the continuing "flight to quality" unscathed.

"While it is no problem for me to say that the Philippine economy is sound," says the IMF's Mr Handy, "it would be impossible to predict what market psychology might dream up next. Look at the US dollar."

Alarmed that criticisms of the

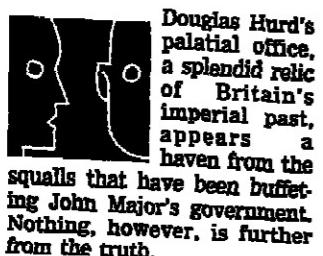
president, on a European tour for what he calls "economic diplomacy", persuading foreign investors the Philippines is finally embarked on a serious reform programme after years of corruption and mismanagement.

"New anxieties and doubts have surfaced about emerging markets," he told Dutch executives in Amsterdam. "I ask you to open your minds to the fact that in two and a half years we have substantially changed the economic environment for the better."

Government officials point out that Philippine imports - in contrast to Mexico's consumer-driven deficit - are largely made up of capital equipment and raw materials, reflecting the country's growing industrial export base.

"We have no intention of managing the depreciation of the peso or the appreciation of the peso," said Mr Singson, responding to criticisms by Philippine exporters that the government had been wrong to intervene to halt the sudden fall of the peso.

Mr Fidel Ramos, the Philippine



Douglas Hurd's palatial office, a splendid relic of Britain's imperial past, appears a haven from the squalls that have been buffeting John Major's government. Nothing, however, is further from the truth.

Mr Hurd, as the minister responsible for establishing UK policy for next year's inter-governmental conference (IGC) on the future of the European Union, has been at the heart of the storm over EU policy which threatens to tear apart the government.

If that were not enough to induce a fit in most ministers, the foreign secretary has also unleashed the potential for a Foreign and Commonwealth Office revolt, by initiating a review of the way the UK government uses its resources "in the world" - a scrutiny of everything from ambassadorial representation to the BBC World Service.

But in his aloof detachment, Mr Hurd - an old Etonian - is a bit of a throwback to the Conservative party's patrician, "one nation" past. He surveys the rich assortment of dilemmas with a donnish good humour.

There is only one issue - the war in the former Yugoslavia - on which he even suggests pessimism. While believing that the basis for a settlement may exist in Croatia, on Bosnia he says: "I am more worried. We have not yet got the peace process going in a

way that is hopeful."

Mr Hurd is surprisingly sanguine when discussing the process of formulating a policy on the EU behind which the Conservative party can unite. "We have a problem in the parliamentary party [on European policy] and a problem among Conservative activists, no doubt about that," he says.

"But speaking as the member for Witney [near Oxford] - and not as foreign secretary - I should point out I have had 2,000 letters on education this year and about 10 on Europe.

"I hope that we can now have a bit of a pause [in the party war]," he says. "We have no particular European legislation we need to get through... no particular reason why we should have any great tumult over the next few months."

The next important event in the European calendar is the Cannes summit of EU leaders in June. Mr Hurd hopes that, by then, the government will have worked out its negotiating position for next year's IGC.

That could be the trigger for the next great battle inside the Tory party, since - according to Mr Hurd - the prime minister will need to give a thorough public airing to his IGC

proposals and seek parliamentary approval for them.

Mr Hurd is better placed than most ministers to carry off the miraculous feat of uniting the pro and anti-EU wings of his party. Though previously regarded as an EU enthusiast, he portrays himself as the champion of the status quo. "We will try to preserve the present architecture of the EU, which actually suits us by and large," he says.

All the UK's IGC suggestions will share two aims: facilitating the enlargement of the EU - from 15 members to a possible 25, as the economic and political reform programmes pursued by eastern European countries bear fruit - while preventing any further transfer of national powers to EU institutions.

There is, however, a danger that, by tailoring a policy to keep the Tory party united, the UK may once again become alienated from the rest of Europe. And other governments, notably Germany's, believe that the UK's twin aims are incompatible.

There is, therefore, a risk that in the run-up to the general election, due by 1997, the UK government could be fighting a war on two fronts: inside the Conservative party and

against other EU members. To avoid this, the UK seems likely to spin out the IGC's proceedings for as long as possible - and to defer the thorniest questions until after the election. Mr Hurd says he "would not be surprised" if the IGC lasted two years.

On the separate - and potentially most explosive - European question of whether sterling should join a single EU currency at the turn of the century, Mr Hurd and the prime minister have been pursuing a parallel policy of prevarication: not ruling it out, not ruling it in.

Mr Hurd fully expects this

stance to continue until after the next general election. He is convinced of Mr Major's determination not to bow to pressure from Eurosceptics to rule out participation in a single currency in the general election manifesto. "He [the prime minister] will hold to that, I'm sure," he says.

Almost every method by

which the UK secures influence in the rest of the world

will be examined. That includes the BBC and broadcasting in general, the British Council, the use of British troops to train foreign armies, the teaching of foreign students at UK universities and the Department of Trade's promotion of British exports and technology.

According to Mr Hurd, there



Douglas Hurd, UK foreign secretary: portrays himself as the champion of the status quo

Ashley Alderson

## Not all eyes are smiling

Jurek Martin on the dispute over Gerry Adams's US trip



Clinton (left) and Adams will meet at a crowded reception

**A**nyone professing surprise or dismay that Gerry Adams will soon add White House canapés to his US airline peanuts has not been looking at the escalating quality of the company the Sinn Féin leader has kept in America over the past 13 months.

On his maiden - and most controversial - visit last February, he was confined to the New York area and limited to 72 hours talking on television but apparently meeting nobody of official consequence. In September, he not only conferred with a trio of middle level officials at the state department, but sat down to a private dinner with Nancy Soderberg of the national security council and Senator Chris Dodd, the influential Democrat from Connecticut. He was staying at the suburban house of Ethel Kennedy, widow of Robert, when Vice-President Al Gore telephoned to tell him that the US ban on official contacts with Sinn Féin had been lifted.

In December, he was inside the White House talking to Tony Lake, the national security adviser. He was also up on Capitol Hill shaking hands with Senator Bob Dole, the incoming majority leader, and Tom Foley, the outgoing speaker and one of the most staunch Irish-American supporters of UK policy in Northern Ireland. Next week he gets President Bill Clinton, if only in a crowd at a reception, and Newt Gingrich, the new speaker.

But if this can be seen as an inevitable progression, it has exacerbated tensions between Washington and London. When a senior administration official explained the Adams visa decision on Thursday, she was at pains to outline in some detail why the US had done so, adding, almost dismissively, that the British and Irish governments had merely been kept "informed".

On the surface, the US action seemed the clearest of rebuffs to Sir Patrick Mayhew, the UK minister responsible for Northern Ireland, who, while in Washington on Monday and Tuesday, had indeed no words about the conditions that Britain would like to see imposed on Adams's next visit. He hoped that Adams would not be permitted to engage in fund-raising and said that it would be "dismaying" to Brit-

ish public opinion if he were photographed shaking hands "with the president of the greatest democracy on earth". He added that Sinn Féin was inextricably tied to the IRA.

Conspiracy theorists on both sides of the Atlantic have suggested that Sir Patrick's words should not have been taken at face value and that his most important message, also voiced here, was that the UK was prepared to soften the terms under which the decommissioning of IRA arms would be left on the negotiating table. Certainly that message - and Adams's positive response to it on Thursday - was the principal reason cited by the White House for giving him a three-month visa, with no funding restrictions and access to the highest levels of government in Washington.

Some go so far as to suggest an informal agreement whereby the UK is content to have the US draw the fire of British and Protestant outrage if it means that violence remains minimal and Sinn Féin is locked in to the peace process, ultimately dragging the IRA along.

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## Surge of hope for animals

From Mr Jerry Elmore Layne.

Sir, Re Mr Alan Clark's article, "The last days of the meat trade" (March 4/5), there is a tremendous "surge" rather than a "cringe" of hope for the outrage in the UK against killing/slaughtering animals for their meat.

In the US the challenge to the injustices are fought, but the real winner is the wide spectrum of those who totally disregard the abuse and suffering of animals.

Where I live, deep in central Texas, the cattle business is brutal! The hours upon hours

that cattle are transported without water and in cold or hot, humid weather is terrible.

Only one state - California - has introduced a law to prevent fallen, sick animals at stockyards and slaughterhouses from being dragged to their death or left in the cold and heat till they die.

We, many Americans, will continue to fight to stop the practitioners of cruelty. We must all understand that animals have hearts too.

Jerry Elmore Layne,  
2506 Hilltop Drive, #409,  
Waco, Texas 76710-1004 US

unable to that operation.

A fairer use for this £24m may be to repay more to the hard-done-by bondholders who are set to lose up to £55m on what was a AAA-rated loan. I am sure employees can take an existence on a bonus of what is about 70 per cent more than the average UK citizen's total annual wage.

Stephen Cribari,  
99 London Road,  
Twickenham, Middlesex, UK

From Ms Ruth Evans.

Sir, If it has achieved nothing else, the decision by Professor Stephen Littlechild, the electricity industry regulator, to reopen last summer's review of electricity prices has undermined the complacency which had existed in the industry.

Just as the Trafalgar House bid for Northern Electric revealed to the regulator the full scale of the financial resources available to the regional electricity company, the threat of tighter price controls has led all the regional companies to admit there is scope for more generous rebates to consumers than have been offered so far ("Electricity companies consider £25 rebate for customers", March 10). The National Consumer Council has been saying this for some time.

The companies' response is clear evidence, if any more

were needed, that Professor Littlechild was right to take a second look at electricity price controls, regardless of the timing of the announcement.

Regional electricity companies are monopoly suppliers of an essential service. It is vital that the regulator intervenes if there is evidence to suggest the companies' captive consumers are facing excessive charges.

The regulated utilities can learn a simple lesson from this week's events. The risk of regulatory intervention is a problem only for companies which do not give a fair deal to their captive consumers.

Ruth Evans,  
director,  
National Consumer Council,  
20 Grosvenor Gardens,  
London SW1W 0DE, UK

From James Buckley.

Sir, Whatever the legal aspects that John Major pur-

sists to have sought advice on in connection with Professor Littlechild's bombshell ("Major says legal advice sought before power sale", March 10), one fact is indisputable. The knowledge that he or his department had the possibility of this announcement and its content was material to the valuing of the shares. This would, without doubt, have been a vital factor in the calculation of the price that the institutions were prepared to bid.

In my world, non-publication of such material information in circumstances such as this would merit an immediate Stock Exchange inquiry and a possible charge of trading with insider information.

At the least, the government could admit to gross stupidity and at best could make a tangible effort to redress the injustice. Mr John Cobb (Letters, March 9) was quite right stat-

ing that Professor Littlechild should reconsider his position. So should the government, without delay.

James Buckley,  
chairman,  
Cape & Sons, stockbrokers,  
Lockgate House,  
Rushmills, Bedford Road,  
Northampton NN4 7YB, UK

From Mr Paul Sandler.

Sir, Sabotage or gross negligence on the part of Professor Littlechild (Mr H Hornsby, Letters March 8) indeed. How can we possibly trust a regulator who operates under the impression that power companies should be run for the benefit of anyone other than the shareholders and directors? It's a nice little share issue, if only those damn customers wouldn't interfere.

Paul Sandler,  
3/45 Compagnie Gardens,  
London NW6 3DB, UK

## Too early to judge results of Russian market reform

From Prof Richard Layard.

Sir, Martin Wolf and Chrysida Freeland ("The long road to market", March 7) argue that in post-Communist countries privatisation is not that important, compared with liberalisation. As evidence, they point out that Russia has embarked on the most ambitious mass privatisation programme of all those countries. Yet, they claim, this has not transformed the country's economy. By contrast Poland and Hungary have yet to launch mass privatisation programmes, but the genuinely private sector in these countries is larger.

Give us a chance. Poland and Hungary have been reforming twice as long as Russia. In Russia mass privatisation began only two years ago and most of it happened in 1994. It is far too early to judge the results. But, with 86 per cent of Russia's industry in mainly private hands, there are already signs of new dynamism. Managers now own around a third of shares in the typical firm, which gives them a powerful

incentive to maximise shareholder value, and restructuring is going ahead fast.

Moreover, Russia's factory managers have not accumulated massive inter-factory debts, all the while counting on the government to bail them out. The average delay in paying suppliers is rather less than in western Europe, and most bailouts go to agriculture, coal or defence - and not to privatised industry.

The key fact about Russia is that gross domestic product is already rising - and lower inflation is on the way. Despite newsworthy ripples of crisis on the surface, there is a strong tide running towards a dynamic market economy, based heavily on rugged owner managers. On top of this Russia has remarkable natural resources. The combination of rapid privatisation and ample resources makes it likely that in due course Russia will outstrip Poland.

Richard Layard,  
London School of Economics,  
Houghton Street,  
London WC2A 2AE

## Littlechild: the price of industry regulation

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171 873 5938 (please set fax to "line"). Translation may be available for letters written in the main international languages.

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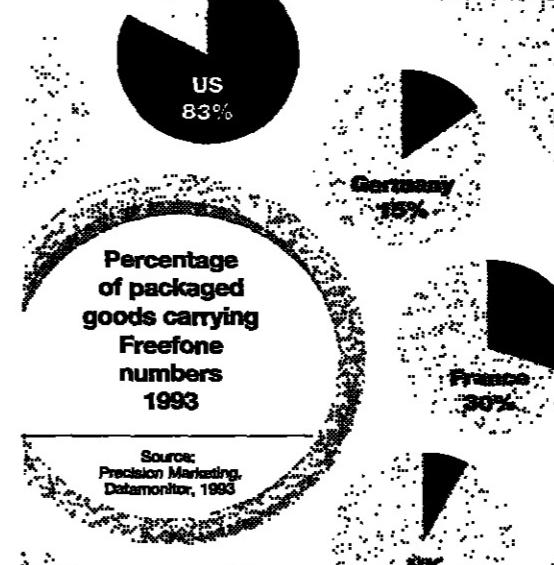
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## Telemarkets



Source: Precision Marketing, Datamonitor, 1993

## Calling on memory

Catchy telephone numbers are proving an important marketing tool, says Diane Summers

39m calls a year to 549m but still only 8 per cent of supermarket goods offered Freefone carline numbers on their packaging in 1993, compared with 83 per cent in the US, 30 per cent in France, and 15 per cent in Germany.

US listeners have an easier time: they do not have to remember as many numbers because they can also use the letters on telephone keypads to contact companies.

For example, drinks group Coca-Cola can be contacted toll free on 1-800 GET COKE; American Express has 1-800 THE CARD.

The UK lost the opportunity to exploit the huge marketing potential of this "alphanumeric" dialling when letters were scrapped on telephones a decade ago. Letters are being reintroduced but British Telecommunications calculates it will be into the next century before enough phones have them to make a US-style service worthwhile. But already some forward-thinking companies are bagging the most memorable letters.

Interest in Freefone and premium-rate marketing numbers has seen sharp growth internationally in recent years as companies have made efforts to improve customer loyalty by setting up





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• FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

Save & Prosper Group - Contd.																	






Singer & Friedlander UT Mergers Ltd (1000)F																	






Thornton Unit Managers Ltd (1200)F																	






AXA Equity & Law Life Assurance																	






Britannia - Contd.																	






Equitable Life Assurance Society																	






Hearts of Oak Insurance Group - Contd.																	






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Vulcan St. Auditory Banks (NP) 100.00																	






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**071 873 3447**  
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## WORLD STOCK MARKETS

## AMERICA

**Dow takes comfort from wages**

## Wall Street

US share prices surged well past the 4,000 mark in morning trading yesterday as investors looked past stronger than expected employment figures and took comfort in nearly flat hourly wages, writes *Liza Branstetter* in New York.

By 1pm the Dow Jones Industrial Average was up 44.26 at 4,027.85, while the Standard & Poor's 500 gained 5.40 at 489.61. The American Stock Exchange composite rose 2.02 at 453.52. Meanwhile, the Nasdaq composite rose 4.31 at 800.55. Trading volume on the NYSE was 22m shares.

Early in the day, the Labor department reported that non-farm employment had risen by 318,000 jobs in February and that the unemployment rate had fallen to 5.4 per cent from 5.7 per cent in January.

Yet in spite of the strong employment figures, average hourly wages were unchanged

from January levels.

Mr Anthony Conroy, head of equity trading at Bankers Trust, said the fact that there was no change in wages in the face of an increasingly competitive employment market boded well for continued corporate earnings growth. He added that the steady wage figures suggested that the economy might be slowing without another interest rate increase.

But many economists continued to expect more monetary tightening. Ms Marilyn Schatz of Donaldson, Lufkin & Jenrette said that while the Federal Reserve would not be likely to raise rates in March, it might in May. She called the low employment rate "a harbinger of future inflationary threat."

While economists may have been divided about the meaning of the data, the markets were not. Immediately after the figures were released, the long bond price dropped by nearly half a point, but it

began to rise once the wage figures were released. In the early afternoon the long bond was up nearly a half point to yield at 7.74%.

Another factor propelling stocks higher was a rising dollar. For the first time in several days, the dollar rose against both the D-Mark and the Japanese yen.

Among the biggest gainers in the Dow were Aluminum Company of America, up 4% at \$33.6, Coca-Cola, up 1% at \$58.61, and Walt Disney up at \$53.75.

Chicago and North Western Transportation jumped more than 30 per cent, rising 33% at \$34.3, after Union Pacific said that it would buy the railroad company for \$35 a share. Union Pacific was up 3% at \$51.67 on the news.

Borland International was 5% higher at \$9.8 after a court overturned a ruling against the company that might have required it to pay as much as \$100m to Lotus Development. Lotus was up 3% at \$43.5.

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American depository receipts of Mexican companies rose strongly after the government announced a stringent economic plan to deal with the country's financial crisis. The benchmark Teléfonos de Mexico gained 3% at \$27.4 and Grupo Televisa was up 6% at \$14.1.

## Canada

Toronto broadened its recovery, transport leading gains in 12 of the 14 sectors as the TSE 300 composite index rose 13.6 to 4,180.50 at midday in 23.9m shares valued at C\$289m.

The airline operator, Air Canada rose 4.5% to C\$74.7 after winning the coveted Hong Kong route, and Laidlaw B topped active stocks with a rise of C\$3.6 to C\$11.1.

A Garantia analyst said: "All the confusion of the past week was caused by the central bank, not by fundamentalists." The government's credibility had been damaged he said, and the same effect could have been achieved at much lower cost.

## Brazil up 15% on new measures

Sao Paulo surged 15 per cent in midday trade as investors welcomed new government measures to stem the outflow of foreign capital and attract foreign investment.

The Bovespa index was 3,200 higher at 24,588 in turnover of R\$128.6m (\$143.7).

The Index, which rose sharply in immediate response to the measures, took a second jump at midday when investors learned that the government was to remove a 1 per cent flat tax on foreign investments in the market. There was criticism, however, of the timing of the announcement during mid-morning trading.

A Garantia analyst said: "All the confusion of the past week was caused by the central bank, not by fundamentalists." The government's credibility had been damaged he said, and the same effect could have been achieved at much lower cost.

**Iberian markets' morale shaken by devaluations**

**David White and Peter Wise discuss Spain's crisis of confidence, and how contagion affects Portugal**

**D**evaluation of the Spanish peseta and the Portuguese escudo damaged morale in the Iberian stock markets this week.

The impact of last weekend's move was particularly bad in Madrid, which spent the week best by continuing currency jitters, increases in bond rates and fresh instalments in Spain's ongoing saga of corruption.

In Portugal, the fall-out from the devaluation is forecast to have a short-term negative impact, chiefly because of an international perception that Portugal is inexorably linked to Spain, which accounts for almost 20 per cent of foreign trade. The National Continual Index (INC) fell by around

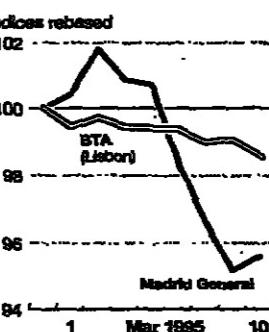
Spanish electrical utilities have been hit particularly hard, because of the increased cost of servicing their large foreign currency debt following the devaluation.

Some analysts believe a number of stocks are approaching a price at which investors could find them irresistible.

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## Iberian equities

Indices released



Source: Datastream

three-quarters of a percentage point

This may not be just Portugal's concern as it is now ahead of its neighbour on the path to European monetary union. The escudo had not previously been under any undue pressure and economic fundamentals have been evolving more favourably than in Spain.

Impatience with what is seen as a long-drawn and painful finale to 12 years of Socialist government is one factor behind the peseta's troubles - has dominated sentiment.

"When the dust settles there could be quite a lot of buying. But how long will it take to settle?" Ms Morales asks.

Madrid brokerage Ibersecurities

comments: "We do not want to be alarmist but everything seems to indicate we are going down hill and without brakes." It says that Spain is "a country under suspicion."

This perception has set in despite relatively favourable economic indicators, including an upgraded official estimate of 2 per cent growth last year.

Investors in Portugal have to be highly selective, not just of sectors but of individual companies," says Mr Mark Howard, a Madrid-based analyst with Singer & Friedlander.

Political uncertainty is expected to dampen enthusiasm for Portuguese equities in the approach to general election in October. The main fear is that neither the ruling Social Democrats nor the opposition Socialists will win a strong enough majority to ensure stable government.

Locals hope global offers of holdings in Portugal Telecom in May and Portugal Indústria, a paper pulp producer, will channel new funds into Lisbon and encourage foreign investors to take a closer look at the market.

## LONDON EQUITIES

## RISES AND FALLS

Options	Calls				Puts			
	May	Aug	Feb	May	Aug	Feb	May	Aug
Amex Options	490	43	50	1	61	50	62	124
[490]	500	44	48	24	25	24	50	433
[490]	240	14	15	23	24	25	25	265
[490]	300	20	21	22	23	24	24	216
[490]	300	18	19	20	21	22	22	214
[490]	70	19	21	22	24	24	24	19
[490]	80	2	3	10	10	12	12	12
[490]	160	14	26	24	24	24	24	124
[490]	200	12	15	15	15	15	15	123
[490]	200	11	15	15	15	15	15	122
[490]	200	10	15	15	15	15	15	121
[490]	200	9	15	15	15	15	15	120
[490]	200	8	15	15	15	15	15	119
[490]	200	7	15	15	15	15	15	118
[490]	200	6	15	15	15	15	15	117
[490]	200	5	15	15	15	15	15	116
[490]	200	4	15	15	15	15	15	115
[490]	200	3	15	15	15	15	15	114
[490]	200	2	15	15	15	15	15	113
[490]	200	1	15	15	15	15	15	112
[490]	100	1	15	15	15	15	15	111
[490]	100	0	15	15	15	15	15	110
[490]	100	-1	15	15	15	15	15	109
[490]	100	-2	15	15	15	15	15	108
[490]	100	-3	15	15	15	15	15	107
[490]	100	-4	15	15	15	15	15	106
[490]	100	-5	15	15	15	15	15	105
[490]	100	-6	15	15	15	15	15	104
[490]	100	-7	15	15	15	15	15	103
[490]	100	-8	15	15	15	15	15	102
[490]	100	-9	15	15	15	15	15	101
[490]	100	-10	15	15	15	15	15	100
[490]	100	-11	15	15	15	15	15	99
[490]	100	-12	15	15	15	15	15	98
[490]	100	-13	15	15	15	15	15	97
[490]	100	-14	15	15	15	15	15	96
[490]	100	-15	15	15	15	15	15	95
[490]	100	-16	15	15	15	15	15	94
[490]	100	-17	15	15	15	15	15	93
[490]	100	-18	15	15	15	15	15	92
[490]	100	-19	15	15	15	15	15	91
[490]	100	-20	15	15	15	15	15	90
[490]	100	-21	15	15	15	15	15	89
[490]	100	-22	15	15	15	15	15	88
[490]	100	-23	15	15	15	15	15	87
[490]	100	-24	15	15	15	15	15	86
[490]	100	-25	15	15	15	15	15	85
[490]	100	-26	15	15	15	15	15	84
[490]	100	-27	15	15	15	15	15	83
[490]	100	-28	15	15	15	15		

## LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talieman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest prices.

For other securities in which no business was done in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 4(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

† Bargains at special prices. ♦ Bargains done the previous day.

### British Funds, etc

Tuesday 13/3 Cst 2000/03 - £120 1203 122 (Mars)

Exchange 10% Stk 2005 - £112 (Mars)

Corporation and County Stocks

Yeadon Corp 3% Stk 1946 exp after - £25 (Mars)

Briestock Corp 11% Red Stk 2008 - £1154 (Mars)

Douglas Metropolitan Borough Council 7% Ltn 2019 - £100 (Mars)

Leicester City Council 7% Ltn 2019 (Mars)

Merthyr Tydfil Corp 11% Red Stk 2007 - £114

Manchester Corp 3% Red Cons Ltn 1920 exp after - £25 (Mars)

Nottingham Corp 3% Stk (red) - £30 (Mars)

Foreign Stocks, Bonds etc (coupons payable in London)

Abbey National Treasury Corp PLC 5% Gld Nts 1995/2000/2010/2020/2030 - £107.9

Subord Govt Bds 2002 (Br E Var) - £103.4

Guaranteed

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## LONDON STOCK EXCHANGE

## MARKET REPORT

**London stronger in the wake of US jobs data**By Terry Byland,  
UK Stock Market Editor

A favourable response in New York to the latest US employment data strengthened an early recovery in London yesterday afternoon, sending the FT-SE 100 Share Index ahead sharply.

Share prices opened firmly, brushing off rumours in continental European markets of new problems in derivatives trading at leading banks. Confidence in London was also buttressed by confirmation towards the close that the Trafalgar House bid for Northern Electricity will lapse and that a lower offer is intended.

**TRADING VOLUME IN MAJOR STOCKS**

	Open	Close	Day's high/low	Vol.	Closing day's price change
ASDA Group	4,700	4,692	4,700	4,692	-14
Avon	4,700	4,700	4,700	4,700	+14
Albert Heijn	1,200	1,200	1,200	1,200	+5
Alfred Dunhill	2,400	2,400	2,400	2,400	+1
Amoco	185	185	185	185	+1
Anglo American	2,500	2,500	2,500	2,500	+1
Argent Group	2,500	2,500	2,500	2,500	+1
Armstrong	2,000	2,000	2,000	2,000	+1
Associated Btch. Foods	220	220	220	220	+1
Associated Btch. Fds	2,000	2,000	2,000	2,000	+1
BAT Inds.	3,000	3,000	3,000	3,000	+10+
BET	2,900	2,900	2,900	2,900	+1
BCCI	200	200	200	200	+1
BPI	4,200	4,200	4,200	4,200	+16
BTC Inds.	10,000	3,000	3,000	3,000	+12
BTU	17,000	17,000	17,000	17,000	+12
Btch. of Scotland	210	210	210	210	+18
Bunzl	1,100	1,100	1,100	1,100	+18
Bunzl	800	800	800	800	+18
Bunzl	872	872	872	872	+11
Bunzl	401	401	401	401	+11
Brit. Acceptance	1,200	1,200	1,200	1,200	+14
British Airways	6,200	6,200	6,200	6,200	+14
British Gas	5,000	5,000	5,000	5,000	+14
British Gas	5,000	5,000	5,000	5,000	+14
British Steel	5,000	5,000	5,000	5,000	+14
Burnell Castrol	551	551	551	551	+19
Burton	2,000	890	890	890	+19
Cable & Wire	4,000	3,900	3,900	3,900	+18
Cameras	370	370	370	370	+18
Castrol Commer.	822	822	822	822	+18
Cent. Unibank	1,200	1,200	1,200	1,200	+18
Cookson	1,100	1,100	1,100	1,100	+18
Dollop	282	282	282	282	+18
Do Le Poer	2,600	804	804	804	+18
Eastern Elec.	1,700	200	200	200	+18
East Midland Elec.	465	605	605	605	+18
Envirosys	1,200	242	242	242	+18
Env. Chem. Crops	1,000	247	247	247	+18
Enterprise City	1,600	288	288	288	+18
Enterprise Units	267	267	267	267	+18
Fisons	2,100	145%	145%	145%	+18
Foreign & Col. LT.	1,400	130	130	130	+18
Gen. Accident	451	555	555	555	+18
Gen. Elect. & Tech.	2,500	200	200	200	+18
Glynned	1,700	200	200	200	+18
Granada	1,700	504	504	504	+18
Grid Elec.	4,500	4,500	4,500	4,500	+18
Env. Chem. Crops	1,200	247	247	247	+18
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Env. Chem. Crops	1,200	247	247	247	+18
Enterprise City	1,600	288	288	288	+18
Enterprise Units	267	267	267	267	+18
Fisons	2,100	145%	145%	145%	+18
Foreign & Col. LT.	1,400	130	130	130	+18
Gen. Accident	451	555	555	555	+18
Gen. Elect. & Tech.	2,500	200	200	200	+18
Glynned	1,700	200	200	200	+18
Granada	1,700	504	504	504	+18
Grid Elec.	4,500	4,500	4,500	4,500	+18
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Grid Elec.	4,500	4,500	4,500	4,500	+18
Env. Chem. Crops	1,200	247	247	247	+18
Enterprise City	1				

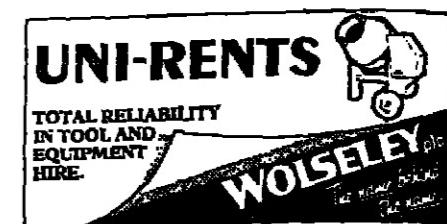






# FINANCIAL TIMES

Weekend March 11/March 12 1995



First bid for privatised UK utility looks set to fail

## Electricity group snubs lower Trafalgar offer

By David Wighton  
and Peggy Hollinger

The first takeover bid for a UK privatised utility appeared to have failed last night when Trafalgar House rejected its £1.2bn (\$1bn) offer for Northern Electric to lapse and was refused permission to launch a lower offer.

The board of Northern, a regional electricity company, declared that the £9.50 a share offer Trafalgar proposed, "seriously undervalued" its shares in spite of the uncertainty about the industry regulator's plans. It refused to give its consent to the lower bid, which therefore cannot proceed under the Takeover Code.

Northern's refusal brought an angry reaction from some of its institutional shareholders, who argued that they should be

allowed to decide for themselves. Some had previously suggested they might take legal action against the Northern board if it withheld its consent.

But Northern said Trafalgar's bid had "gone on long enough" and that its largest shareholders had indicated they would not support a bid at £9.50.

Trafalgar's £11-a-share offer was thrown into turmoil on Tuesday when Professor Stephen Littlechild, the electricity regulator, announced that he was considering tightening price controls on the industry. Northern decided that, under a tougher regime, it could not guarantee that it could still offer the £9.50m incentive package to shareholders which was its defence to the bid. It was, therefore, forced to recommend the offer.

Mr Tony Hadfield, chief executive of Northern, said the company had made an assessment of what the regulator might do. "We looked at what he might want to secure and concluded that £9.50 seriously undervalued our shares."

He described Trafalgar's proposal as "cheeky" and said if it wanted to make a £9.50 bid it should do so for one of the other regional electricity companies.

Before Northern announced its opposition to a new lower bid Trafalgar had tried to gain the support of Northern shareholders by asking leading shareholders to sign forms indicating their intention to accept a £9.50 offer and calling on Northern to allow a new bid to be made.

Northern shares closed down 10p at 80.8p, before the company announced its rejection.

Man in the News, Page 10  
See Lex

## S Africa scraps two-tier currency system

By Roger Matthews and Mark Phelan in Johannesburg and Philip Gavith in London

South Africa's controversial two-tier currency system, designed to prevent large-scale capital outflows, was scrapped yesterday and replaced with a single, free-floating rand.

Mr Chris Liebenberg, the minister of finance, said market forces would decide the exchange rate when trading resumed on Monday. The Reserve Bank would intervene only to smooth out short-term fluctuations.

The abolition of the financial rand has long been seen as a pre-requisite for the substantial foreign investment needed to boost the economy after last year's democratic elections.

The decision to scrap the currency was widely welcomed in Johannesburg and internationally.

Mr Christopher Tinker, chief treasury economist at Standard Chartered in London, welcomed the "brave move" saying it was a sign of confidence on the part of the authorities that it had not been accompanied by a rise in short-term interest rates.

The financial rand system was introduced after the Sharpeville massacre in 1961 to stanch massive capital outflows. It provided for a special currency designed to protect the country's foreign reserves by establishing a restricted pool of rands for transactions by non-residents.

The latest republican organisation to be set up to raise funds among Irish Americans claims to be working to a different agenda: that of ensuring Sinn Féin legitimacy as a democratic participant in the peace process.

Hardline republicans in the US - committed to a united Ireland and a withdrawal of British troops - have defected from Noraid, claiming it has gone "soft" on Northern Ireland.

Over the last year they have focused their fundraising efforts on a Noraid offshoot called Friends of Irish Freedom, with a main support base in Boston.

The Friends of Irish Freedom represents a small minority of Irish Americans, who donate their funds to the families of prisoners while lending moral support to the idea of a reconstituted armed struggle.

Many of its members belong to an older generation of Irish immigrants whose romantic sense of Irish history has in the past been translated into "money for guns". They have included "bag carriers" - individuals willing to transport cash to Dublin or Belfast for the IRA cause. But as one official in the US put it yesterday: "This minority of Irish Americans has a problem with peace in Northern Ireland. They are confused by it."

The latest republican organisation to be set up to raise funds among Irish Americans claims to be working to a different agenda: that of ensuring Sinn Féin legitimacy as a democratic participant in the peace process.

Money raised at Wednesday's lunch - where Gerry Adams will be the principal speaker - will go to the Friends of Sinn Féin.

Mr Mitchel McGloughlin, Sinn Féin's Northern Ireland chairman, said cash raised in the US would help build up the party's profile in the peace process.

The accounts of Friends of Sinn Féin in the US will be audited by Price Waterhouse so that, in the words of one of its organisers, "moderate Irish Americans know where their money is going". In other words, not to the IRA.

## Clinton's permit provides US dividend for republicans

By Jimmy Burns in London

The decision by the Clinton administration to give Mr Gerry Adams, the Sinn Féin president, freedom to raise funds has already revived the financial fortunes of the republican movement in the United States.

Mr Brian O'Dwyer, a New York lawyer whose clients include Irish Americans sympathetic to the republican cause, said yesterday that Mr Adams' fund-raising lunch at the Plaza Hotel on Wednesday - 250 guests paying \$200 each - was already sold out.

"There is going to be a tremendous reach-out to mainstream Irish American money. We're crossing from the ghetto to Manhattan," Mr O'Dwyer said.

But will such a momentum last and will the new money find its way into the coffers of the IRA, to be spent on arms and military operations?

The IRA's ability to raise money in the US, through a variety of republican "causes", has been severely weakened in recent years. Internal splits, recession, and infiltration and close monitoring by the FBI and British intelligence have reduced the total annual amount raised to

\$100,000-\$150,000 from close to \$1m in the early 1980s when sympathies were heightened by IRA prisoners hunger strike.

Noraid, an organisation once stigmatised as the IRA's main fundraising arm in the US, has been undermined by internal factional fighting. Its annual conference in New York last weekend was noticeably less well attended than in previous years. Irish American republicans are finding it increasingly hard to understand the complexities of the Northern Ireland peace process.

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## Anglo-US rift over Adams deepens

Continued from Page 1

gesture on the decommissioning of weapons. British officials described a statement by Mr Adams in which he suggested the arms issue could figure in substantive talks as "ambiguous and convoluted".

It was this statement which convinced Mr Clinton that the time was ripe to meet Mr Adams.

Unionist leaders, however, made clear they would not attend the White House St Patrick's Day festivities in protest.

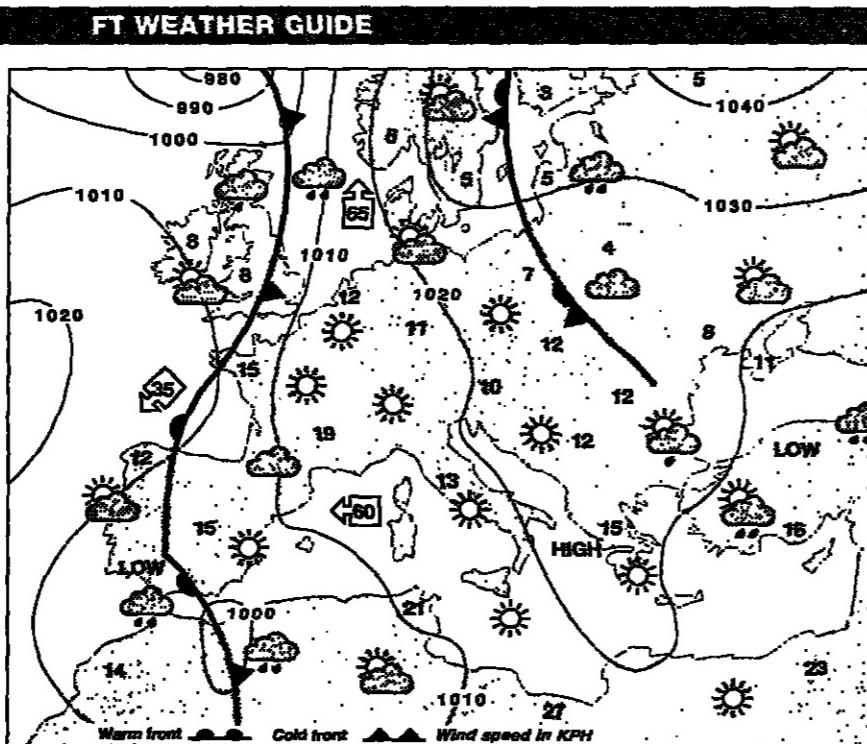
The Rev Ian Paisley described Mr Adams as a "terrorist leader", while Mr Ken Maginnis of the Ulster Unionists described the presence of Mr Adams at the US president's table as "obscene".

There was further anger at

Westminster over the UK government's admission that Mr Adams had so far received \$2,234 (\$15,144) in legal aid to fight his exclusion order from the British mainland under the UK's Prevention of Terrorism Act.

Mr Adams is taking the government to the European Court of Justice over the ban, which was lifted following last year's IRA ceasefire.

Economic strength spurs end of turand, Page 4  
Foreign exchange, Page 12



### Europe today

High pressure will bring a lot of sun to most of Europe. The Benelux, Germany, parts of France, western Poland, central Europe, the western Balkans and Italy will have clear skies and temperatures above the seasonal average. Afternoon readings will range from 8C in western Poland to 20C locally in France. Sweden and north-western Norway will also have some sun; elsewhere in Europe it will be dull. Finland will be overcast with some sleet at times while southern Norway will have rain or snow. More rain is expected for western Spain, Brittany, and the central UK as a front associated with a deep depression near Iceland moves slowly eastward.

### Five-day forecast

Low pressure over the Atlantic will move into north-western Europe, bringing periods of rain or snow interspersed with a mixture of cloud and sunny spells to the UK and Scandinavia this weekend. Early next week, a high pressure area over the Azores will expand over the southern UK, Benelux, northern France and Germany bringing settled conditions: there will be a good deal of sun, though mixed with some cloud at times.

### TODAY'S TEMPERATURES

	Medium	Beijing	Cebu	Celje	Caracas	fair	29	Faro	dazz.	17	Madrid	fair	15	Rapport	sun	33	
Abu Dhabi	sun	26	Sofia	dazz.	8	Cardiff	shower	14	Frankfurt	sun	11	Majorca	fair	18	Riyadh	cloudy	0
Accra	sun	31	Berlin	fair	13	Casablanca	shower	15	Geneva	sun	12	Malta	fair	18	Rio	fair	30
Aleppo	cloudy	27	Buenos Aires	sun	11	Copenhagen	sun	13	Gibraltar	rain	16	Manchester	rain	11	Rome	sun	16
Amsterdam	fair	15	Brussels	fair	20	Dakar	sun	24	Hamburg	fair	17	Malta	fair	24	Seoul	shower	12
Athens	sun	26	Bombay	sun	32	Dallas	fair	27	Hong Kong	cloudy	22	Miami	fair	26	Stockholm	fair	4
Austin	sun	26	Brussels	sun	14	Deli	fair	27	Istanbul	fair	12	Montreal	fair	23	Strasbourg	sun	13
Baku	rain	35	Bogota	fair	12	Dublin	dazz.	8	Jakarta	shower	31	Moscow	fair	9	Tanger	rain	15
Bamako	sun	35	Calcutta	fair	23	Dubrovnik	fair	15	Jersey	rain	11	Munich	sun	8	Tel Aviv	fair	22
Barcelona	fair	15	Cape Town	fair	22	Edinburgh	rain	9	Kuala Lumpur	sun	29	Naples	fair	25	Tokyo	fair	18

We can't change the weather. But we can always take you where you want to go.

Lufthansa

### THE LEX COLUMN

## Canal's cash crunch

Canal Plus's traditionally strong domestic TV business is clearly maturing. Subscription income, which expanded an average 11 per cent a year between 1990 and 1993, stuttered last year, growing only 5 per cent. The group may still prove capable of raising subscriber numbers, but the required marketing costs look increasingly exorbitant.

Although the timing of the declaration was unexpected, Canal Plus had anticipated the slowdown, using its impressive cash-flow to diversify. But the choice and speed of diversification have left much to be desired. During the past year, the company has announced two large television investments in Germany to add to its interests in Poland and Spain. By rushing headlong abroad, the group has committed itself to high start-up costs and, in the near term, only the remotest prospect of additional revenue streams. Other diversifications have proved no more successful. Its film-waiver bids have contributed little to profits.

The unhappy coincidence of slowing subscription growth and poorly controlled diversification became all too apparent when the company presented its results. But the management also revealed higher programming costs and accelerated depreciation for its easy-to-pirate decoders. The combination of halved earnings in 1994, a promise that results would not improve in 1995, and a cut in dividend entirely justified the stock's 15 per cent fall yesterday.

The financial rand system was introduced after the Sharpeville massacre in 1961 to stanch massive capital outflows. It provided for a special currency designed to protect the country's foreign reserves by establishing a restricted pool of rands for transactions by non-residents.

The financial rand traded at a variable discount to the commercial rand, the currency for all conventional balance of payments transactions. The size of the discount, which has historically been as high as 50 per cent, was widely seen as the key barometer of international investor confidence in South Africa.

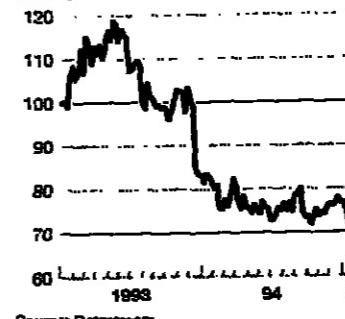
Speculation that the financial rand was to be abolished had been intense since Mr Chris Stals, the governor of the Reserve Bank, said on February 21 that economic conditions were ripe and only a political decision was required. For the past three weeks the discount between the financial and commercial rands was less than 10 per cent and yesterday closed in Johannesburg at a record low of 2.9 per cent.

Soon after the announcement, the bid-offer spread on the rand in London was R3.67/72 against the dollar, suggesting the new currency will open at around R3.70 on Monday. While the government has said it does not expect any run on the currency when trading resumes, Mr Liebenberg said yesterday foreign reserves had now risen to R12.5bn and the Reserve Bank also had available international credit lines of a further R13bn.

FT-SE Eurotrack 200:  
1323.2 (+8.5)

Canal Plus

Share price relative to the CAC 40 Index



Source: Datastream

ments outside Trafalgar's previous core business.

The Northern board appears highly unlikely to change its mind in dismissing Trafalgar's reduced offer. With the offer rejected, Trafalgar is left with around £10m of net bid costs, and a severe loss of credibility. The group's falling share price increases funding costs for another offer, and anyway it is hardly the best time to bid for electricity companies.

It therefore appears that Northern has attracted the most unlikely of white knights - a regulator intent upon making it bleed. This could be a pyrrhic victory. The only short-term certainty is that Northern's share price would fall. The more value it demonstrates for shareholders, the juicier a target it becomes for Prof Littlechild's sharpened regulatory teeth.

### Northern/Trafalgar

Trafalgar House had little choice but to lapse its £110m a share offer for Northern Electric, but it has been left somewhere between a rec and a hard place. Its urge to buy Northern was driven by the need to find a steady non-cyclical earnings base, and exploit the tax advantages of its dismal profits record. However, Prof Stephen Littlechild has now demonstrated that utility earnings streams are not as predictable. Northern is therefore less likely to Trafalgar.

The problem is that the bid has spotlighted Trafalgar's own weakness. It is suffering a substantial cash outflow, which has only been withheld through a string of rights issues. Even excluding the Comair fiasco, its core operations have continued to disappoint. Further uncertainty is caused because a large shareholder wants to pump money into long-term invest-

# Weekend FT

**Lionel Barber**  
penetrates  
the exclusive male  
club which some  
think is more  
powerful than  
the European  
Commission

**A**round 10am every Thursday morning the sleek black limousines draw up outside the Charlemagne building in Brussels. This ugly concrete block, far removed from Poffiers, Waterloo, and Verdun, is the contemporary battlefield on which the nations of Europe settle their differences. Their chosen instrument is an obscure body called the Committee of Permanent Representatives.

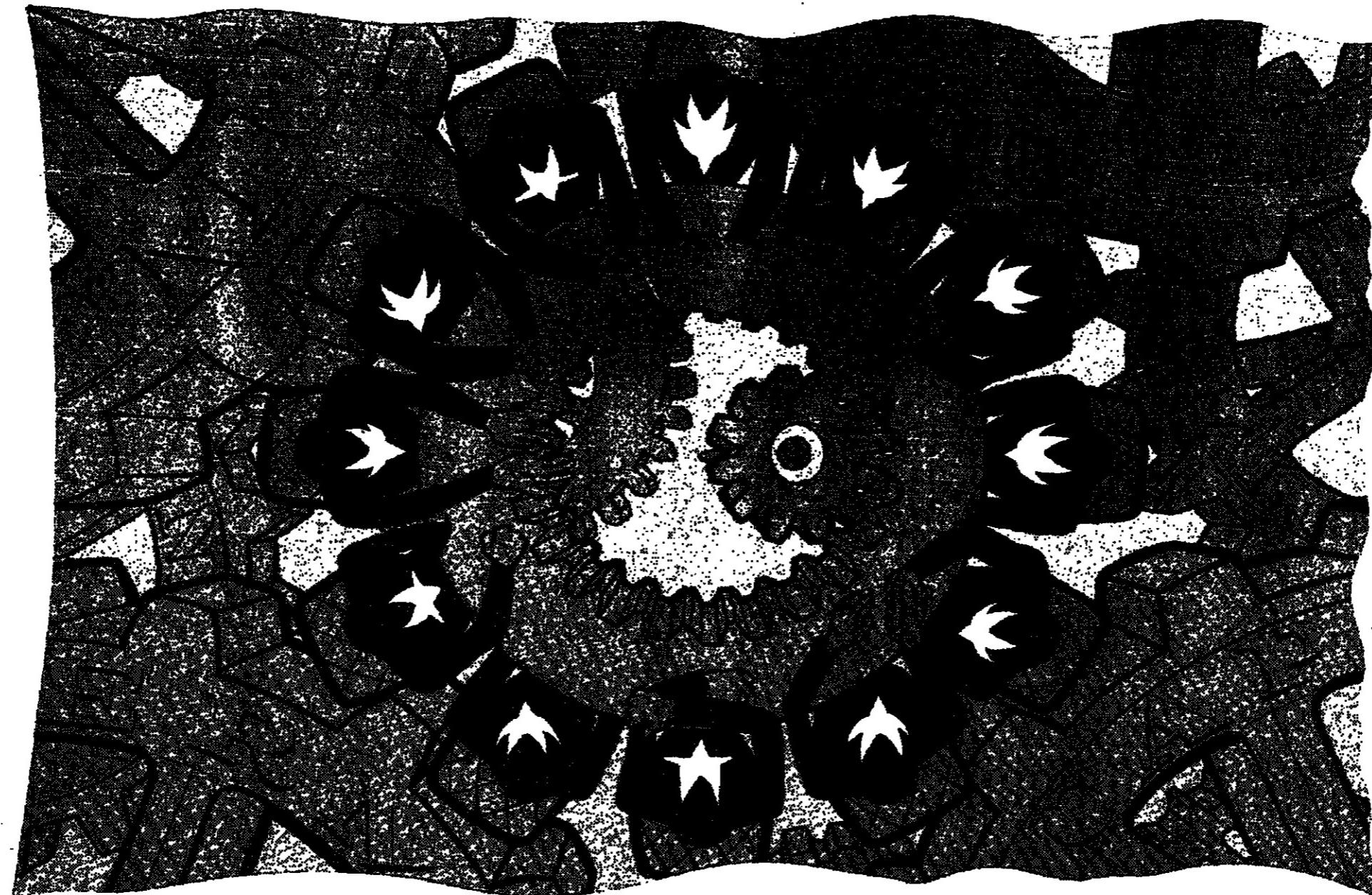
Coreper, as it is known by its French acronym, is made up of the ambassadors of the 15 member states to the European Union. Few of those attending the weekly meeting in the Charlemagne would stand out in a crowd. The exception, perhaps, is Philippe de Schouwete de Tervarent, the tall, silver-haired Belgian aristocrat born in Berlin who speaks English as if he has just stepped off the playing fields of Eton.

To observe how Coreper operates is to understand how the European Union works. It is an exclusive male club with an accent on classical diplomacy and intimate deal-making, usually over lunch. One of the best-kept secrets in Brussels is that 90 per cent of EU decisions are resolved informally in Coreper before they even reach ministers.

In the last few months, Coreper has settled the terms of a new trade pact with Russia, agreed a work-plan for the countries of central and eastern Europe to join the EU, and resolved a mind-numbing legal and financial row over how to set up an EU administration in the Bosnian town of Mostar. Its next task is to lay the groundwork for the 1995 inter-governmental conference to review the Maastricht treaty.

The European Union is a community of sovereign states with elements of supranational powers vested in the European Commission, the EU's executive arm. The European parliament, although slowly accreting power, remains a largely consultative body with powers to block rather than to initiate legislation. Coreper's position inside this power nexus is unique: it has legislative and decision-making powers. Its permanent presence in Brussels, alongside the Commission, gives it an extra edge.

As Europe's business shifts inexorably to Brussels, Coreper's role as a bridge to



## The men who run Europe

national capitals will grow in importance, so too its function as a clearing-house for the Council of Ministers, the official forum for EU decision-making. Already it has spawned a second committee - Coreper I - made up of ambassadors' deputies, dealing chiefly with business issues. Yet questions are bound to be asked: is there enough political accountability, ministers in effect being usurped by an elite group of high-powered diplomats?

The ambassadors argue, correctly, that they are civil servants acting under instruction from their capitals. But such modesty is unlikely to deter critics such as Claude Cheysson, the former French foreign minister, who claims that Coreper is more powerful than the European Commission.

So who are these shadowy figures, how do they work, and why is their role in European

affairs so vital? Under protection of anonymity, a number of Coreper members agreed, for the first time, to talk about their work which is fast removed from the familiar images of the EU, with its grinding bureaucracy and late-night ministerial confrontations. For Coreper is altogether a more collusive enterprise.

Like all clubs, Coreper depends on the strength of its membership. The present line-up is rich with diplomatic talent: Pierre de Boissieu, the French ambassador who is a distant relative of Charles de Gaulle and one of the intellectual forces behind the Maastricht treaty; Dietrich von Kray, the German ambassador born in a family of Prussian Junkers who fled the Red Army in a horse-drawn cart in the second world war; Ambassador de Schouwete, the Belgian eminence grise, who is Coreper's most experienced

member; Francisco Javier Elorza Cavengt, the chunky, fast-talking Spaniard with a passion for American photorealist paintings; and Sir John Kerr, the artful Scotsman addicted to political intrigue and Benson & Hedges cigarettes.

The first challenge for a member of Coreper is to master the technical detail.

**M**ost can navigate around Spanish fishing rights in the Irish Sea or rum quotas for former French colonies in the Caribbean. But the real test is how to assess the detail in relation to the potential impact of EU decisions.

Every day in Brussels hundreds of working groups comprised of national civil servants, technical experts, and Commission officials are

engaged in discussions on potential legislation or rule-making. "Someone needs to corral the debate, to judge each issue's importance, and to decide which must go up to ministerial level for a decision," says a diplomat, "that is Coreper's basic function."

Second, ambassadors must be able to read the intentions of other member states, particularly those behaving oddly.

When Greece intended to block EU economic aid to Albania last year, the first signals flashed in Coreper; the same applied to Italy's decision to increase in milk production quotas. Coreper serves as a forum for handling sensitive issues before they surface in the ministerial forum. "It all goes under the heading what the minister knows but does not say," says one diplomat.

Third, Coreper members must possess the ability to

strike a balance between the naked pursuit of national interest and the need for compromise, without which the system would eventually break down. And here a dilemma arises for the ambassador: how to preserve the trust of political masters at home while maintaining good-faith negotiations with Coreper colleagues.

True, such skills are the stock-in-trade of diplomats. But this is to underestimate the degree of complicity which lies at the heart of the Coreper enterprise.

Committed members eat, drink, and breathe EU issues seven days a week. Every six months, they and their wives go on trips - to Greek islands, to Goethe's home in Weimar - to cement the bonds with their colleagues. By dint of their permanent presence in Brussels, they are virtually condemned to succeed.

As ambassador von Kyaw has said, half in jest: he is known in his native Germany not as the *ständiger Vertreter* (permanent representative) but as the *ständiger Verräter* (the permanent traitor).

To understand how Coreper works in practice, it is necessary to put aside the stereotype stories about Britain's lone war against an intrusive Euro-pean Commission or Franco-

go on trips - to Greek islands,

Continued on Page II



Joe Rogaly

## Sex and a cardinal sin

Why religion is not strong enough to instil a new moral order

**W**hen I met the head of the Roman Catholic church in England some time ago I could hardly believe my ears. What, I heard Cardinal Hume asking me, did I think about sex? A long rambling improvisation was offered in reply. Something like: "...by and large in favour... gives an inordinate amount of people a huge quantity of pleasure... should be kept within limits... young particularly keen... church's attitudes not favourably received... population explosion... AIDS... abstinence..."

The cardinal listened patiently, but with a puzzled expression.

"I was inquiring," he said "about sex."

This true account will be item one in any anthology of "moments when I slid under the table and hid". Seeks the man said. Not sex. He wanted to discuss the weird and sometimes wonderful outcrop of religious movements that attract the young and crowd the market for souls. In particular he wished to make the point that humans are spiritual beings. True, church attendances are in decline. The mainstream denominations are in danger of becoming overwhelmed by militant atheism. Yet it is in our nature to seek a transcendent meaning to life. The pros-

perity of cults, sects, is evidence of that longing.

The cardinal struck me as a particularly holy individual, a church leader who rarely ventures into politics, and then with extreme care. This week he has attracted attention for making some remarks entirely consonant with Vatican teaching, to the effect that platonic love and friendship between people of the same gender is a gift from God. "It is a mistake to presume that they must be sexually involved," he advised us. Properly, he advocated "the art of chaste loving".

The important point is not what he said, but that he felt the need to say it. Whatever word is uttered nowadays, it tends to be heard as "sex". Cardinal Hume was responding to public demand, to the need to enunciate the Roman Catholic position on homosexuality. Only with that out of the way can he hope to be attended to when he speaks of wider matters. A newspaper article last Saturday, stressing our moral responsibility to "live more simply, build communities and reduce poverty" did not attract quite so excited a response as his admission of homophobia.

The Labour leader is supported by one of his party's US-based gurus, Amitai Etzioni. Dr John Habgood, the Anglican archbishop of York has famously proposed that marriage should be made fiscally more attractive. Cardinal

girls struggling on low incomes. They peft these hapless mothers with leaflets, pamphlets, booklets, learned papers, dissertations, speeches, orations, delicate equations and rough abuse. Finally, they lynch them with ropes of verbiage. This deplorable practice, which originated in American think-tanks, has been copied in Britain.

That said, I must come out

I believe that children are best brought up by two parents, one of each gender

of this particular closet. Disap-

rove as I may of the above-

mentioned gang, I also believe

that children are best brought

up by two parents, one of each

gender. They need not be for-

mally married, but theirs

should be a lasting and stable

relationship. Tony Blair

thinks so as well.

The Labour leader is sup-

ported by one of his party's

US-based gurus, Amitai

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the Anglican archbishop of York

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marriage should be made fis-

cally more attractive. Cardinal

Hume says that "families are the natural and fundamental units upon which all societies are built".

The latter sentiment is in the cardinal's job description. It supports his observation that "a healthy family is fundamentally at odds with our culture because it is radically anti-individualistic". The Chief Rabbi's voice is of the same chorus. In his new book, *Faith in the Future* (Darton, Longman and Todd) Jonathan Sacks argues that the growth of the state has meant the atrophy of institutions, such as the family, in which people learn the "subtle codes of civility" they need to live closely together. "Without the modern State the modern individual could not have come into being," he writes. "The modern individual is defined by... independence from long-term commitments."

That, Dr Sacks suggests, is why morality matters. "We have abandoned collectivism but not yet the individualism which was its symbiotic partner."

As state support is withdrawn, so single-parent families, the unemployed, the residents of ghettos and others suffer. The answer is the return of personal responsibility, self-restraint. "There are other and more human ways of living than instinctual gratification tempered by regret."

It is a powerful thesis, one

that cannot be dismissed on the uncertain ground that its author is a "Thatcherite".

True, he cites US right-wingers, such as Charles Murray, whose views are anathema to us liberals. Granted, his attitude to foreign aid is not quite kosher. This does not make him a simple-minded devotee of the 1980s. For Dr Sacks notes that the speeded-up disintegration of the family, with cohabitation, divorce and single-parenthood rapidly becoming the norm, "was a direct consequence of the individualism that so marked the Thatcher years".

Bringing our hands is easy.

What to do is another matter. The retreat of the state is unlikely to be reversed. Socialism is well and truly done for. Religion is not present in sufficient strength to instil a new moral order within our hearts.

The evolution of a global economy does not support the re-institution of a nuclear family.

There are fewer jobs for men, and not enough of the ones that exist pay sufficiently well to support a non-working wife and children.

Free sex may be destructive, but it is probably indestructible. We do not know how to behave, but, sadly, no traditional religious leader has the clout to point us all in the same direction. Only a new philosophy can achieve that.

Sects, anyone?

**THE LONDON GOLF CLUB**

Set in the beautiful Kent countryside, the club boasts two 18 hole courses - the Heritage Course which was personally designed by Jack Nicklaus and the International Course, created by Golden Bear and designed by Ron Kirby. Both courses are suitable for all skill levels, providing five sets of tees per hole and lakes coming into play on several holes. The greens have been built to the highest USGA specifications, ensuring firm, well drained surfaces. The courses have been designed to take advantage of the natural contours and beauty of the Kent countryside. The clubhouse contains a magnificent range of facilities, including a high quality restaurant offering a range of international cuisine with a Tappanyaki bar for oriental tastes, a pro shop, spike bar and spa baths with sauna.

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### NEXT WEEK

In exile: a businessman afraid to go home

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## PERSPECTIVES

**P**aul Cardew has never drunk tea brewed in one of his range of 42 teapots. He does not care for tea and, in any case, the teapots are not intended for brewing tea in.

The products of Cardew's 150-strong team based in two potteries in South Devon are "designer" teapots. They come in intricate designs ranging from an old-fashioned cash register to an old hand-cranked clothes mangle, a market stall, and a lady's dressing table.

The larger teapots may have as many as 14 components, and the more expensive ones retail at around £100.

"All our full-size and one-cup teapots will make perfectly good tea, but we wouldn't pretend this is the first purpose of our products," said Cardew, 47. "They are designed as collectables and our aim, quite simply, is to be the world leader in designer teapots." After nearly five years in the business Cardew, and his partner Paul Kirwan, 44, say they have already got there.

"We have almost doubled our workforce since taking over a pottery at Bovey Tracey last summer. We have doubled our turnover every year from its initial £250,000 and this year we are aiming at £5m turnover and are hoping for profits of around 20 per cent," said Cardew.

The two attribute the rapid growth to having the right product at the right time and what Cardew calls their "perfect marriage". They met 25 years ago in a pub after surfing at Padstow. There followed a period in which Kirwan ran an advertising agency in London while Cardew, who has a degree in ceramics and fine art, taught and then became a director of a ceramics company in his native Devon.

When in the late 1980s it all fell apart, Cardew, who says he was "not put on this earth to be a businessman", was left with little more than the house he lived in and a wife and family to support. He put out an SOS to his old friend, who was restless and in need of a change. Within days, Kirwan had drawn up a business plan and Cardew had started afresh with half a dozen previous employees making designer teapots in a rented lock-up garage in Exmouth.

The venture was financed by £70,000 Cardew raised by remortgaging his house, an equal sum from Kirwan and a loan of



The artist and his teapots: Paul Cardew of Cardew Design and some of his creations

### Minding Your Own Business / Clive Fewins

## A designer goes to pot

£550,000, of which £150,000 was working overdraft, from The Bank of Scotland.

The lock-up was soon sold, and Woodmanton Farm, on a nine-acre site near Exmouth, bought for £300,000.

"It all worked well – and fast," Kirwan says. "It needed to, as we knew there was a sleeping market waiting to be brought to life and our strategy was to develop it fast in a recession before others could catch up with us."

By the time the pair had spent a further £180,000 converting the farm into a pottery money was growing tight. But, in spite of the inevitable early cash-flow problems, sales were good and money was coming in.

"From the onset we have had a policy that every 25 kilo lump of refined clay coming into the factory has a destination," Kirwan said. "The focus has always been on sales invoiced out, so we don't need to hold any stock. However we

cash flow is now such that we can afford to build up stock, which we need to do because of the increasing diversity of our range."

"Currently we have orders for £1m worth of tiny teapots alone and total forward orders in early February were worth £m," Cardew said.

About 40 per cent of sales are still in the UK, though that figure is diminishing as the company sells more and more through a network of agents in 30 countries. The US is by far the biggest of these.

"We have been helped enormously by the Portmeirion group, which has a huge operation in the US and acts as our distributor over there," Cardew said. Portmeirion also has its own brand range of novelty teapots made by Cardew Design.

"The Americans especially love limited editions," Kirwan says. "I am convinced that we could sell everything we make to the Americans. That way we

would make more money. But it would be a shortsighted policy. If you want to build up a reputation as manufacturers of the world's best collectable lines you can't do that by selling to just one country."

Cardew and Kirwan say much of their success is because the company is designed.

"Our design team is huge by comparison with other ceramics companies of our size," Kirwan said.

"Design and development accounts for almost 10 per cent of our turnover. We have six full-time staff led by Paul, whom I regard as one of the best three-dimensional designers in the world."

At Cardew Design, a new product can take as little as three months to go from an idea to volume production. This year Cardew and Kirwan aim to add 12 large teapots to the range, bringing the number of full-sized teapots to 24.

"Collectors always want new items to collect," said Kirwan. "With the exception of the one-cup pots and the best-selling sewing machine in the full-size range we rarely produce more than 5,000 of any line."

The production process for any teapot takes from six to eight days. But in spite of the company's modern business approach automation plays a very small part. Apart from firing in automatic kilns the rest of the work is essentially by hand, using moulds for all the component pieces, which are cast from them.

"If one tiny component is missing, the product doesn't leave the factory," Kirwan said. "Our reputation is based on quality. That means the miniature pastie on the Baking Day teapot or the pistol on the Agatha Christie criminologist's desk has to be present and glued into the correct position."

■ **Cardew Design, Woodmanton Farm, Woodbury, Exeter EX5 1HQ. Tel: 0395 233633.**

### BUSINESS SOFTWARE

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## PERSPECTIVES

# Waltzing back to the days of kings

Mariana Schroeder on why the Viennese are still having a ball

**T**he ball season is almost over but Vienna does not stop dancing. Each year, the Austrian capital hosts more than 300 balls, culminating in the Opera Ball.

Attending the Opera Ball is a matter of national pride. It is a social event, a show of Austrian manners and a sentimental throw-back to days of king and kaiser. Everyone attends, from the president down.

When the evening arrives, 8,000 people hold their breath. The music stops and the two words they're waiting to hear boom out from the loud speakers: "Alles wälzer!" Roughly translated, it means "everyone waltz".

At that moment the ballroom shifts into a kaleidoscope of colour as thousands of couples begin to whirl to the one-two-three rhythm they learned as children.

Tall coats fly, backs arch, hem billow, jewels glitter and skirts float over the parquet like exotic night-blooming flowers.

No one loves the waltz more than the Viennese. They have made it their anthem and given its composers the status of heroes.

This year's Opera Ball took place in late February. As always, it was held at the Vienna State Opera, a building that was transformed overnight into a magical ballroom.

The work began as soon as the final curtain fell on the performance of *Romeo and Juliet* held the night before. It took 350 workers 12 hours to remove the seats, build additional boxes, lay a parquet floor and decorate the whole with 16,000 pink carnations, 50 blooming azaleas, 50 tree-size white lilies and 800 palms.

Uniformed lackeys formed a guard of honour at the entrance where guests ascended the marble staircase

to their boxes. Shirley MacLaine and Sophia Loren led the list of international celebrities.

Sophia, resplendent in a gold beaded gown that lavishly displayed her famous cleavage, held court in Box 9.

"I have never been so moved, so emotional," gushed the Italian film diva. "It is one of the most beautiful nights of my life." That, however, did not prevent her from leaving an hour after she had arrived.

MacLaine said she felt as if she had been in Vienna in another life. She was not in such a hurry to leave. The dress code for the ball is rigid: white gowns and crownlets for the ladies, tie and tails for their escorts

American star wore a flaming red beaded dress and reminisced about the ball she had attended in 1976.

"I loved the idea that old traditions were kept alive to remind us of a time when the world was a happier place," she said.

Plácido Domingo, the Spanish tenor, and Birgit Nilsson, Swedish soprano, added artistic glitter. Austrian President Thomas Klestil and Chancellor Franz Vranitzky led the long list of politicians. The Bouchers, the Porsche-Piechs and American industrialist Malcolm McLean gave the event a touch of international glamour. Kurt Waldheim attended, along with British Ambassador Terence Wood, the mayor of Helsinki, the Japanese Ambassador, the owner of the Sacher

This year, nearly 5,000 paying guests and more than 1,500 staff and opera personnel attended the ball. They paid Sch2,600 (£180) to get in and an additional Sch95,000 to Sch165,000 for a box. A simple table for six in one of the outlying rooms cost Sch10,000. The ball was nearly sold out, a sign for many that the recess

sion is finally over.

The Opera Ball is essentially a debutante ball. Some 180 couples formed this year's "opening committee" of debutantes. Most have been drilling for nearly a year for the opening quadrille. Lotte Tobisch, dubbed Vienna's "Ball Mother", is responsible for the organisation.

She has run every ball since 1966 when the first one after the war was held. She chose this year's debutantes out of more than 800 who had applied.

The dress code for the ball is as rigid as the dance steps: white long gowns and identical rhinestone crownlets for the young ladies and white tie and tails for their escorts. Mouse grey for the gentlemen in uniform. The Austrian white dress uniform is considered distracting.

In fact, tails and floor-length evening gowns are *de rigueur* for everyone. "Those who insist on arriving in a tuxedo should not be surprised if they are mistaken for waiters," says Tobisch. She is all smiles but there is steel beneath the ruffled chiffon.

She defends her insistence on white tie with the argument that dress clothes are not elitist but egalitarian because "everyone looks alike". By the night of the ball there was not a *Frat* to be rented in all of Vienna. Most reserve their white tie and tails well before Christmas and retailers say they sell more evening clothing in Vienna than in any other city in Europe.

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reported 30 broken heels.

When they are not dancing, they have nothing to do but stand around the stairways hoping to catch a glimpse of one of the celebrities. That is hard on both guests and equipment.

Two ladies fainted and the opera cobbler (there is always one on duty during the ball)



Tall coats fly, backs arch, hem billow, jewels glitter and skirts float over the parquet like exotic night-blooming flowers' Mary Evans Picture Library

Few of the celebrities shown on the front pages the morning after the ball bothered to mix with the crowd. Neither MacLaine, nor Loren, nor Domingo, nor the other illustrious guests ventured beyond the comfort of their boxes where they sipped champagne poured from magnums and looked down at the whirling dancers waltzing on the floor beneath them.

"I don't think the celebs contributed a bit," explained a woman from Munich who attended the ball with her husband. "They didn't dance, they didn't mingle."

There is no one opinion on the Opera Ball. How it is regarded depends very much on who is talking. It is good business to rent a box and invite clients if you happen to be a business person. Those who want to make a social statement present their sons and daughters. Celebrities come to be seen and most of the others come to watch and waltz.

It is the last group that makes the Vienna Opera Ball a success. Once the VIPs have departed, the opera belongs to them. They are the ones who dance until 6am and then adjourn to cafés and hotels that open early to serve them an after-the-ball breakfast of beer and goulash soup. Some couples even spend another Sch2,000 for a *Flicker* (horse-drawn carriage) and leave in true Cinderella fashion.

Lotte Tobisch, who only left the safety of her box to chat with other notables in theirs, is the first to admit the Opera Ball is largely an anachronistic fairy tale. But the world needs fairy tales and what better setting than Vienna?

"The Opera Ball is one of Austria's best exports - like the Spanish Riding School and the Sacher Torte," says Gregor von Herzog, an Austrian writer and social critic. "Nowhere else will you find so many people who are so enthusiastic about something so totally useless - that is what makes the Vienna Opera Ball so Austrian."

That may be open to debate, but Vienna without its ball is as unthinkable as Wimbledon without tennis.

And it is safe to bet that next year when the announcer says "Alles wälzer" the city will again swing into three-quarter time and the world will tune in to watch.



An army truck takes skiers to the chairlift in Slavsko

## Slippery slopes in the Carpathians

Anna Reid visits a poor man's ski resort

Slavsko inhabits the grey zone between state and private ownership. It belongs to the local branch of the energy ministry. But where does the money we are paying for our rooms actually go? "A little bit to the ministry - a lot into the director's pocket," says Anton.

Even by Ukrainian standards, the Yuzhtechenergo is recklessly, magnificently horrible. The rooms are freezing, imaginative mustard-coloured plasterwork decorates the ceiling. The cracks round the windows are papered over with strips of the local "National Socialist" newspaper.

Pieces of thick twisted wire stick out of the interior walls. The bathrooms - single, dim light-bulb, creeping brown puddles - look like transplants from the Lubyanka's basement. Hot water is available only occasionally, usually at the same time as the cavernous cafeteria is serving up fried potatoes for breakfast, lunch and supper.

Come morning, things look up. Slavsko's skiing day begins with a bang, as a khaki-green army truck backs into the Yuzhtechenergo's cracked concrete entrance. Piling on, we career down snowy roads, under a railway bridge, past a pair of skinny ponies pulling a rough wooden sled piled with dung.

Our party, led by Anton, a professional rock lyricist and part-time ski-guide, is putting up at the Yuzhtechenergo, one of dozens of hideous sanatoriums dotting Slavsko's outskirts. Like most Ukrainian institutions, the Yuzhtechener-

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go has yet to discover the mountain-top restaurant. "Varenniki" - meat or cabbage-stuffed ravioli - are served out of makeshift cabins, and eaten on the snow. Locals bring their own supplies. At the bottom of each ski lift, vacuum flasks are being opened, sausages sliced.

Back at the Yuzhtechenergo, the fun continues. With supper (potatoes again) finished by 8pm, après-ski is a do-it-yourself affair. In a corridor, a little group smokes and sings along to a guitar. In the hall, unrelaxed by two brassy receptionists, a family lights a fire and cooks kebabs. Anton opens a can of beer. "Be glad you're not staying at the Dynamo," he says, "that's a real stable."

Two peasants riding on the

scenery. Slavsko does not possess snow-cats to bash the snow flat, which means its mogul fields grow, as the season progresses, to terrifying proportions. Luckily, snow is plentiful at the moment, so falls are almost a pleasure.

Bun-shaped haystacks, each with a thick topping of snow, stand alongside woods of pine and birch. A friendly Pole guards where we are from and produces a vodka flask. Later, when the antique bindings on Bogdan's skis give way for the umpteenth time, the local schoolteacher helps out, shyly taking the opportunity to practice his English.

What Slavsko has yet to discover is the mountain-top restaurant. "Varenniki" - meat or cabbage-stuffed ravioli - are served out of makeshift cabins, and eaten on the snow. Locals bring their own supplies. At the bottom of each ski lift, vacuum flasks are being opened, sausages sliced.

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## HOW TO SPEND IT

**Lucia van der Post meets a woman who was amazed when she could not find wardrobe advisers in the London telephone book**

## Some closet advice for the terminally untidy

If there is a house with cupboards large enough for all the clothes, with shelves enough for all its books, with a place for every object, I have yet to encounter it. But sheer space is not everything - it is how you organise the space that really matters. That at least is the passionately held belief of Dawna Walter.

Walter is American. She came to Britain when she married an Englishman. As she set about turning his rather unattractive bachelor pad into a well-organised home for two, she decided she would do as almost everybody does in the US and call in a "closet adviser". Surprise, surprise, no "closet advisers" in the phone book. "Silly me," she told herself, "of course - they're called wardrobe advisers in this country." But (and by now surprise) there were no wardrobe advisers listed either. This was when, being an enterprising sort of woman, she saw a gap and decided to try to fill it. On April 27 she opens the first of what she intends to be a chain of stores devoted to "everything and anything associated with storage and organisation".

If that brings to mind rows of metal shelves, cardboard boxes and endless modular systems so complicated that you need a degree in higher mathematics to work out the permutations, think again. Dawna's store is to be all light and bright and she wants it to be about having fun as well as being useful.

"Nobody said storage had to be dull," says Dawna. "If that brings to mind rows of metal shelves, cardboard boxes and endless modular systems so complicated that you need a degree in higher mathematics to work out the permutations, think again. Dawna's store is to be all light and bright and she wants it to be about having fun as well as being useful."

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medium density fibreboard, smartened up with some fine-wrought stencils.

One of the secrets, she tells me, is compartmentalisation.

"If everything is all jumbled together you can't tell what you own. Even if you just buy a simple little drawer organiser

But about 65 per cent have been developed exclusively for her. Some are simple products which would make wonderful presents - for instance, the leather-backed roll-up *necessaire* which has masses of pockets to hold everything you need to take travelling, from shaving-brush and sewing-kit to toothbrush and shampoo.

There are lots of organisers which can simply be hung over wardrobe doors - some in striped cotton, some in plastic. One could hold many pairs of shoes, others sweaters, yet others ties or belts. Needless to say there will be lots of colourful products for children - including a brightly-coloured canvas wardrobe come shelving unit which is demountable and can be carried in a canvas sack.

The motto, in case you had missed the message, is "Organised living means more free time".

■ *The Holding Company* opens at 243-245 Kings Road, London SW3 on April 27 and it is planned to be the first of a small chain. A mail order catalogue will be published later in the year.

'Nobody said storage had to be dull,' says Dawna Walter

to separate our your tights, socks, knickers, or scarves, you will find it much easier to find the ones you want. That should save you minutes a day. If you apply that principle to the rest of your house you should be able to save yourself large chunks of time."

She has tracked down products at trade fairs and from companies around the world.

There are all the apparatuses for dividing the space in cupboards: wire baskets, cardboard boxes, open-fronted shoe-boxes, demountable shelves and uprights.

The shop itself is divided into room-sets with sections

concentrating on media, travel,

children, shoes, the kitchen, the office and then a more seasonal area which will have, say, a gardening theme or a Christmas theme.

Of most use to the terminally disordered will be the service the shop will offer. In dire circumstances they will come to your house and help. But Dawna believes customers will be able to calculate their own storage needs with the help of the free kit (a tape measure, plus instructions of which measurements to take) she gives them. Those who fill in the sheets as instructed will be able to come back to the shop and be given help in planning how to make better use of their space and how to be better organised.

The motto, in case you had missed the message, is "Organised living means more free time".

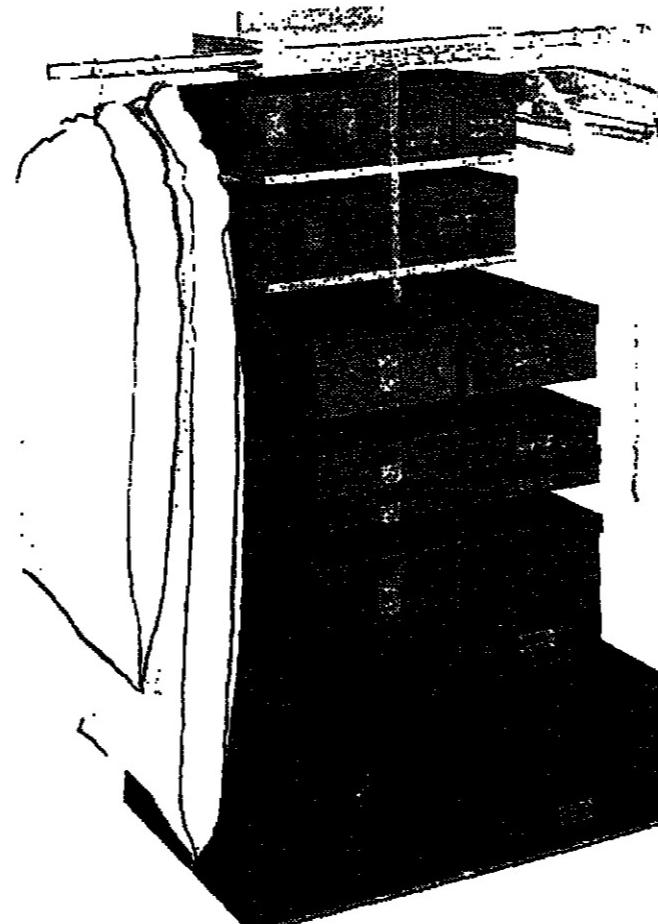
■ *The Holding Company* opens at 243-245 Kings Road, London SW3 on April 27 and it is planned to be the first of a small chain. A mail order catalogue will be published later in the year.



Tidy up your drawers with a Neatmix organiser - a pack of two costs £2.95



Simple canvas storage systems - left, for sweaters or blouses, right for shirts



Inexpensive cardboard boxes, clothes protectors and hangers - the basics of good organisation



Dawna Walter with three basic chests transformed by stencil and paint. Among the things she shop will sell are wire baskets, open-fronted shoe boxes and paint kits

## The secrets of a happy cupboard

**D**awna Walter believes that walking into your wardrobe should be visually stimulating, that looking at an ordered interior can be an aesthetic experience. The lure of perfectly organised cupboards was irresistible. "Please, Dawna," I begged, "come and show me just what can be done with cupboards as full as mine."

I resisted the urge to spend the weekend tidying up and let her see them in all their chaotic abundance. She did not blanche. Instead she presented me with a plan of action. It goes like this:

Take an honest look at everything in the wardrobe. Give away anything that has been too small for at least two years; anything with a stain that will not come out; and anything that is outdated (if you really think they may come back in fashion buy some plastic or canvas bags and store them elsewhere).

Analyse your wardrobe. Assemble your clothes by size. Put all the short hanging clothes (jackets, shirts etc) together (this enables you to use the space underneath better). Put all the long hanging clothes together, arrange them by colour - put neutrals together, black together etc.

Then make an inventory of folded clothes, of shoes and boots, of accessories (ties, belts, handbags, hats, costume jewellery). Measure your wardrobe from front to back, side to side, width of door, height of door, door frame to wall left, door frame to wall right, floor to ceiling (not for

getting to note obstructions such as fuse boxes, cables or ducts).

Bear in mind that clothes on hangers need 1.5in of rail space each. Folded clothing takes up to 12-in of running shelf space, with three to four items in each stack. In this way you can work out what your wardrobe can sensibly hold.

From here she moved on to the small tips that she has

**Looking at an ordered interior can be an aesthetic experience**

gleaned from a lifetime of being organised. I pass them on for free.

**Hangers**

Invest in good hangers, all of the same make - this way all the clothes hang at the same level. Do not use the wire ones which dry-cleaners so generously give away free - they are bad for the clothes. Ideally use wooden ones. Cedar wood acts as a natural moth repellent.

**Garment protectors**

Always put away the clothes you are not going to wear at the end of the season or clothes that are only rarely worn. Plastic or canvas ones will keep away dust and help protect the clothing.

**Drawer organisers**

The more you compartmentalise your clothing, the easier it will be to find what you are looking for. Perfect Order is a system (£5.95 for the set) which slips easily into almost any drawer and provides up to 32 compartments in which can be stored tights, socks, ties, knickers or scarves. Neatmix Organisers are clear plastic and coloured cardboard boxes which can also be used to organise socks, knickers and lingerie. Sets of two cost £3.95.

**Tie racks and tie hangers**

These allow you to see ties at a glance and store them so that they do not get crushed. A tie rack in beech which can hold 60 ties is £24.95.

**Hanging jewellery organisers**

These have many compartments which enable you to separate items thus preventing them from getting tangled or damaged and enabling you to see the individual pieces.

**Shoe organisers**

Shoes are one of the biggest headaches for many people. Shoes worn occasionally (special evening ones, for instance) could be stored in boxes but to save you rummaging through them all to find the pair you are looking for, take a Polaroid photograph and stick it on the front.

**The Holding Company**

will sell a big range of shoe organisers - over the door wire racks, over the door canvas pockets, floor wire racks, shoe boxes and bags, and a stacking and expandable rack for 12 pairs.

## An old flame is relit

**Lucia van der Post tells how her oven was repaired**

**A** little paeon of praise? Well... shrug, shrug... "what can you expect. Tell you what... why don't you have a look at these brochures and choose a new one?"

He had completely failed to understand a woman's attachment to her cooker - the fact that it was 20 years old, that it had cooked my children's nursery meals, family Christmasses, celebrations, teenage parties, grown-up dinner parties all made it very much more, not less, desirable in my eyes.

"Well," he said, "you see Carron which made the Cor-

don Bleu no longer exists, so I don't suppose there'll be any spares. Your only hope is to look in the Exchange & Mart or to advertise. But there are lots of lovely new cookers."

These followed months of tramping round every likely looking workshop in the borough inquiring after a spare

spare for an ancient cooker.

Finally, a colleague said "Ever thought of ringing the Gas Consumers Council?"

One call was all it took. The suppliers of the spare parts were tracked down, the local gas board were remonstrated

with for giving false information and not trying harder and a date booked for the installation. Six weeks later my beloved Cordon Bleu is in full working order again.

The cost to me was £45 for the call-out charge - the spare part was "free" to make up for the weeks of aggravation.

Thank you to the Gas Consumers Council.

■ The Gas Consumers Council (tel: 0171-331 0377) protects the interests of gas consumers

and will take up complaints or

queries on their behalf. Last year, it dealt with 24,359 customers, a rise of 19 per cent over 1992.



10/11/93

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## TRAVEL

## Falling flat at Mad Hatter's boules party

Chris Eales races through Brittany to play Boulou Pok, a strange, ancient game that involves a lot of drinking

**I**t is Mardi Gras in Brittany. At 8am, Laurence and I are heading south to ancient Guerlesquin which sits placidly in the shadow of the Monts d'Arrée, the highest mountain range in Brittany. We are going to the World Championship of Le Boulou Pok.

This unique Breton game of boules has been played every Mardi Gras for the last 500 years. It is not played anywhere else. Robert Le Scour, president of the Le Boulou Pok Society, told us.

This is not the only Breton oddity about Boulou Pok. The game is littered with Mad-Hatter rules. Boules are round elsewhere in France, but here they are flat; practising is forbidden because it might give someone an advantage. Legend says the idea came from a priest who wanted to provide his flock with some leisure.

It is north versus south. Nor-dises, those with houses facing south, play sudistes, whose houses face north. The prize is a noble laurel leaf.

In keeping with ancient Breton custom, the game is combined with its other essential purpose: eating and drink-

ing. And religion is not forgotten: Boulou Pok is set off with a mandatory mass at 9am in the Chapelle St Jean. We arrive just after nine, concerned. Boulou Pok rules insist that those who do not attend mass cannot eat the flowing breakfast that follows.

We slip into the packed chaf-

pel. Boulou Pok players and spectators, big and small, young and old, are in full voice. In the Caffé Pene a few doors away the breakfast, described by Le Scour as "Mustcadet, Calvados and Borsac," but includes plates of ham, pâté and crêpes, is being laid out.

After the short mass we move with the procession to the *café* led by a Breton piper and a drummer wearing a policeman's uniform. Glasses glint on lines of tables. Everybody hustles to their seats. Some are soon back on their feet singing in Breton. Bottles arrive.

The first to leave the crowded café after an hour or so are the women. They are not permitted to play Boulou Pok. Laurence, my Breton friend who is translating, asks why she cannot play. "Ah! Le Boulou Pok c'est trop lourd pour les femmes," somebody replies.

I pay FF30 and am given red and yellow cards. I pin the red card, which says "Sudistes" to my jacket. The yellow card goes "Gwin Bian". Breton for "small wine". I put that one in my pocket.

I wonder why I am a sudiste. My house does not face north or south. "Ahl Oui," says the president, players with houses facing east or west are allocated according to the direction of their fireplaces. Mine faces north, so I join the sudistes.

We cross the road to the Place du Martay, an oblong square lined with trees and 16th century granite houses.



Bars run down either side. I am bolstered by the sign in the window of the Martray Crêperie, "Fermé mardi pour Le Boulou Pok", it says, and then, "Vive le sud."

Our sandy Pok patch faces the 17th century law-courts in which a dunce, dressed in an overcoat, has been tied to the

bars of a window. The nor-distes win the toss and the Bretons begin to throw their boules. The first hits the sand and says "pok".

There are about 90 players, many beginning to show the effects of the drink. The players wear their normal clothes and one man stands out

because he is wearing a jacket, shirt and tie beneath a raincoat.

A player throws twice in each game. When everyone has thrown there is a huddle over the poks and a loud debate about who gets the points. The first team to reach 12 points wins a match. The team that wins the best of three matches is declared world champion.

Throughout the game, players drop into the nearby bar.

In Le Bellassis, a large smiling man with a laurel leaf pinned to his flat cap buys me a demi.

"Why do you English play with the sudistes?" he asks me. "Because my fireplace faces north," I say.

"Ahl" he says, "but where is the sun at midday at your house?"

I shrug and point above my head.

"Voilà!" he shouts. "Next time you play with the nor-distes."

Slowly, we make our way to An Toll Tou which is booming out Breton music of flute and guitar. We produce our yellow

Gwin Bian cards and are handed drinks. Leaning on the bar next to me is the man in the shirt, tie and raincoat.

"I am the notaire," he tells me in English. "Come and have a drink with me."

He pours himself another Ricard and I have a demi. I can just hear him above the revelry elsewhere in the bar.

"Le Boulou Pok," he says, "is tradition. Very important for our children."

The final fixture of the Bolon Pok starts with the Gwin Bras (large wine), then goes on with a feast at the restaurant Bar-gueden. We turn up around 8pm, passing staggering players on the way. We eat soup, ham with boiled potatoes and carrots, pork with chips and haricot verts, cheeses, fruit and coffee and drink bottles of bordeaux.

Some players are standing on their chairs, singing. One man plays a pipe throughout. People come and go. We are ready to leave but the singing goes on.

A familiar face crashes into our table. It is the *notaire*. He waves his hand in the air. "All drunk. Everybody drunk," he says and staggers off.

## No one switched on the lights

Richard Donkin almost fulfils an ambition to see the aurora borealis

**N**ature's greatest light show was only three hours away as the sun, like a struggling performer with no more than a cameo role in a perfect day, departed downstage beyond the snowy hills.

The ice blue tincture of dusk settled upon the landscape. Conditions for a display of the northern lights, the aurora borealis, were ideal. The sky was clear, the air crisp and sharp. Tromsø, the most northerly city in Europe and perhaps the best placed community from which to witness this phenomenon, was still shivering in the grip of winter, situated well above the Arctic circle.

A visit to northern Norway had seemed like a good idea, the opportunity to fulfil one of my ambitions. For someone whose previous experience of the northern lights had been the Blackpool illuminations on England's windswept north west coast in October, the invitation to witness something a little more spectacular, 1,000 or so miles further north had been something to savor.

For most of Tromsø's 55,000 residents, the northern lights seem hardly worth the neck ache. The lights appear all winter round. Far more of an excuse for partying in this locality is the sun's first appearance of the year on January 21. The best party of all does not start until May 21 when for two months the sun never sets and Tromsø hardly sleeps.

In winter, there is an air of hibernation about the community. It has not, however, prevented some of its more enterprising residents putting some

thought into enticing visitors from more southerly parts.

By February, the sun is already around for seven hours in the day and, between snow showers, the weather is surprisingly accommodating if you stay close to the coast, which is warmed by the Gulf Stream.

Stray a few miles inland and the temperatures take a serious dip. Minus 20°C is not exceptional. Tove Hansen, who with her husband, Kjell, has set up a business offering dog-sleigh rides, is expecting temperatures of -40°C when next month she takes part in the Finnmarkslopet, Europe's longest dog-sleigh event. It runs for between five and eight days across 1,000km of the Finnmark Plateau, one of the continent's few remaining wildernesses.

She did not seem too daunted by the ordeal. "I'm eating and sleeping this race. I can't wait to begin," she said. Tove was hunched over a large cookpot stewing reindeer meat by the fire at the centre of her *lava* - the traditional wigwam-like tent of the Sami, people perhaps still better known outside their own community as Lapps.

She does not live there. Neither do the Samis much any more, but the tents can be fun for visitors. With reindeer skins draped over birch twigs on the floor, they are a surprisingly comfortable alternative to a conventional hotel. The lack of hot and cold running water seems a pretty inconvenience, given the sub-zero temperatures outside.

The reindeer are owned by Sami families who jealously guard their herds all year round. Just how many reindeer there are in Norway and Sweden is difficult to gauge because the Samis will not say.

"Never ask a Sami how many reindeers they have. They say it is like them asking

how much money we have in the bank," said Finn Mellaer, who runs the Ramfjord camp site near Tromsø. He was ladling out some reindeer broth which tasted exactly like that in the tent.

Here, however, there was no such protection. We were standing out on the frozen Fjord as Finn explained the finer points of ice-hole fishing, another popular local pastime. It was a familiar experience, not because I had fished in this way before, but because there were no fish about.

Finn's promised shoals of cod had fled. There is something slightly distressing about standing on a desolate expanse of ice with a piece of limp monofilament line in your hand, feeling increasingly hungry, asking what is for lunch and hearing "cod" in reply.

Spirits lifted slightly when we strolled over to Finn's pal, Sven, who was about to haul in his 100-metre long net strung beneath the ice between two poles. He did explain how he did it, but I could not make much sense of it. After 10 minutes of hauling, all he had to show for it was a cigar-shaped codling that would not have filled the tip of a fish-finger. Cod was off. We had reindeer

poles. So much for the novice hunter-gatherer. In Tromsø's Polar museum you can see what happened when men were really men and this was the huntin' shootin', fishin' and explorin' capital of the north. Gnawed residents who used to lead young polar bears

around Tromsø's streets, after first disposing of their mums and dads, look back with some sadness to a past era. It was not so long ago.

The daddy of them all, Henry Rudi, who died in 1972, shot 712 polar bears during his hunting career which ended in 1948. Walrus, musk ox, polar bears, seals, arctic fox and geese were all mercilessly hunted in Spitsbergen to the north and Greenland. Given Norway's pro-whaling stance it is not surprising to find that the museum exhibition is in no way mounted as an apology.

A statue of Roald Amundsen is one of the few reminders of the old days. Today, the community has softened markedly, partly perhaps because of the influence of Christianity. A triangle-shaped cathedral was built in 1965. Its northern window used to provide a commanding view of the mountain beyond; too commanding for the preachers who struggled to compete for the congregation's

attention. So the view was blocked by a stained glass window and the architect never put a foot in the building again.

The creation of the university also seems to have had a civilising effect on the community. While the unemployed fishermen drown away their yesterdays in the town's beer hall, the new breed of intellectuals are content to spend their time studying the aurora borealis.

The university planetarium shows films of the northern lights from every angle. The only thing it cannot do is turn them on.

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## TRAVEL

# Tough, but the best trek in the world

David Waller follows ancient trade paths along the Silk Route in the mountains of northern Pakistan

We sat in the shade of a boulder next to the torrent, eating our lunch and trying to work out where the track went next. The guide book clearly said: "Follow the ancient cliff-top path to the bridge." It slowly dawned on us that the cliff had fallen into the river, a victim of landslide, a common hazard in the mountains of northern Pakistan.

Before we could decide where to go, we heard a shout. Coming along behind us was Manzoor Karim, who turned out to be the son of the local schoolmaster. In impeccable English he explained that we were hopelessly lost, that we had to follow him back before the river rose - fed by the afternoon's snow-melt from the mountains - to cover the return path.

It was fearfully hot so when we arrived at his village we gratefully seized on his offer of a pot of green tea. He led us across fields to his family's orchard, perched on terraces 1,000ft above the river.

We lay there in the shade, listening to the faint roar of the river and gazing at the ice-capped peaks. When we felt hungry, we shook the trunks of the trees and down came dozens of exquisite apricots.

This was only a training out-ahead of our big adventure, a three-week trek across northern Pakistan, close to the borders with Afghanistan and China. But the day left us with a sense of the spectacular, if harsh, beauty of this mountain country, and the warmth and hospitality of the people. The impressions were reinforced daily in the weeks ahead.

Our aim was to cross the three passes of Boroghil, following ancient trade paths along the Silk Route linking China with the heartlands of central Asia and the west. Last century these valleys were at the heart of the Great Game, marking the unstable borders between British India and the Russian empire.

For most of this century they have been closed to foreign travellers, but more recently the valleys have been opened



Top of the world: David Waller and companions enjoy the spectacular if harsh beauty of northern Pakistan's mountain country

bands of trekkers. Traveling with Karakorum Experience, a company based in Keswick, Cumbria, which specialises in organising treks in this part of the world, we were one of the first parties of westerners to visit the area.

It is not formally a mountaineering trip but the 180 miles of path through the Hindu Kush and Karakorum

is tough and unrelenting and should only be attempted if you are fit and game for adventure.

It is hard work just getting to the start of the walk - a two-day truck ride north from Chitral, itself an uncomfortable 24 hours along the Karakorum Highway from Rawalpindi. Thereafter, we had to adjust to the trekking routine - up at dawn, asleep under canvas at nightfall, with a long day's walking in between.

There are few of the creature

comforts which trekkers in Nepal have come to expect - no tea-houses along the way where you can slake your thirst with a bottle of Coke. The trekking industry is in its infancy in this part of northern Pakistan and everything has to be carried in from the road-head by dozens of nimble-footed porters.

The trek starts gently enough with a two-day ascent to the Shah Jinali pass, the first of the three we were to cross. This is a smooth grassy plateau grazed by wild ponies and goats; in days gone by it was used as a polo ground by the local kings. This was classic Hindu Kush terrain, explained Pete, our English trek leader - lush green in the foreground and mountains and glaciers on the horizon.

But that afternoon we turned the corner into the Yargum valley, and the landscape

changed abruptly. It was a desert of brown scree slopes with small settlements and fields clustered around the river at the valley floor and patches of vivid green high above - fields irrigated by drainage channels leading from the glaciers.

We had a rest day - one of just three in 15 days walking - which concluded with an impromptu dancing session.

After supper, the cooks started banging on the blue plastic containers out of which the food had been taken, and Farhad and Ayub, two of our local porters, got up and started moving gracefully to the beat. The tunes are monotonous, each performance working up to a frenetic climax.

The porters and local shepherds who had come for the party encouraged the build-up with whoops, grunts and yelling. Tired as we were, we joined in, and Graham from

New Zealand astonished the porters with his rendition of a Maori war dance. My contribution was half punk-rock pogo, half Scottish reel, which had the porters roaring their appreciation even if I lacked the subtlety of Ayub's performance.

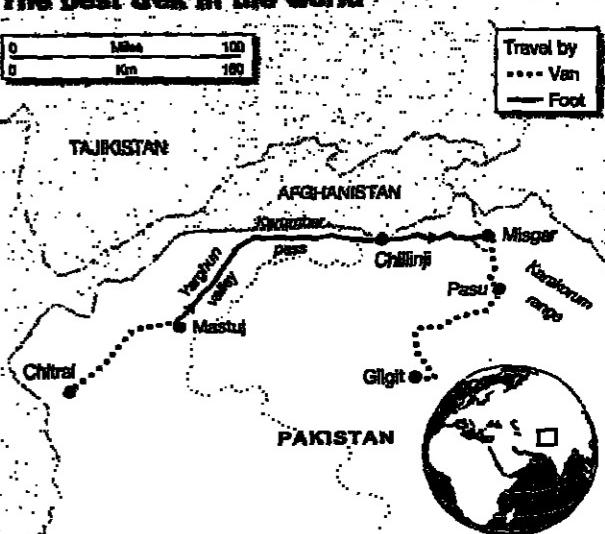
The next dance was several days later at Karumber Pass, 4,300 metres above sea-level. It marks the boundary between the Chitral and Gilgit provinces. Getting there takes you close to the Afghan border, through a landscape of steppes, grass-covered sand-dunes and rounded hills. We met the colourfully-dressed Tajik and Wakhi people who eke out a living in this remote region; they cheerfully offered us dahi - local yoghurt - and sold us their knitted socks. We set up camp on the shores of a giant turquoise lake beneath yet another glacier. Dancing at this altitude was hard work

indeed - after five minutes of jumping around you were left in a breathless heap.

To recover, we gorged ourselves on the lightly fried intestines of a freshly slaughtered goat, passing the second of our rest days swimming in the lake or searching for rare wild flowers such as Corydalis, Waltheria or Lomatogoniums which are to be found up here. We kept our distance from a pair of enormous yaks, the heavy goods vehicles of the Himalayas, which had been hired after a group of porters left to go back to the harvest a few days earlier. They look friendly enough but a flick of the head is enough to gore a too-inquisitive tourist.

Having seen so many glaciators from a distance, we at last had the chance to walk across one. We dropped down from Karumber and into a valley to the point at which it was

## The best trek in the world



choked off in its entirety by the tongue of the Chattebol, or destroyer glacier. There was no covering of snow so the crevasses were easy to see and therefore avoid.

Pete, a former social worker from Barrow-in-Furness with decades of mountaineering experience, told us

there was nothing to worry about and we did not even have to use crampons. But further up the mountain, the glacier was crashing and crashing and it was a relief to reach the rubble of the moraine on the other side.

By now we had reached the edge of the Karakorum range, the most densely packed grouping of high mountains and long glaciers in the world. Roughly translated, the name means black, crumbling rock, an accurate description of mountains formed out of the collision of India and Asia 50m years ago, and still in a state of flux. There is little habitation now and no cultivation in the valleys which led up to our ultimate destination, the Chilji pass at 5,000 metres.

The path to basecamp was the most intrepid yet: we walked through an icy torrent in bare feet, crossed another river sitting in a pulley-like contraption, and then tramped up steep, boulder-choked gullies. The air was thin but we were sustained in part by our desire to cross the final pass -

the last two parties to go up

had failed - and also by the twigs of the magical Taon tree given to us by the porters.

The day before the ascent was clear, the views of the western Karakorum magnificent. But during the night it started to snow and when we got up before dawn, it was cold and the final 1,000 metres of scree ascent was coated with ice.

Pete took the decision to go ahead, rather than wait for better weather - the last party to try that had been obliged to turn back. So we struggled to the top, careful not to dislodge rocks on those coming up behind. It was cloudy at the top and the only view was of the expanse of snow-field which constituted our descent.

There was no dithering - it was difficult to breathe at the high altitude - so we roped ourselves quickly and inched across the snow to the moraine below.

When, a few days later we reached the Karakorum Highway and thus the end of our epic walk, we could only agree with Pete's assessment that we had just completed the best trek in the world.

■ For further details of this and other treks in Northern Pakistan, contact Karakorum Experience, 32 Lake Road, Keswick, Cumbria CA12 5DQ. Tel: 017687-73966.

## A night in the queen's bed

I slept in the bed of the Queen of the Netherlands. Before I am charged with less-majestic I had better add that it was not her usual bed, but a temporary stopover on the island of Saba, a tiny hump in the Caribbean. It is the most charming bedroom on the island and when she is on a tour of the Netherlands Antilles she sleeps there.

Saba is small - 2½ miles by three miles - but is so rough and mountainous that no road was built there until 1983. When the islanders requested one, engineers arrived and simply informed them that it was impossible, so the Sabans took a correspondence course in civil engineering and built one themselves.

Like all its volcanic neighbours, Saba is immensely fertile. From a carpet of elephant ears and grasses on the flanks of the formidable but curiously named Mount Scenery (2,885ft), ferns, palms, banana and breadfruit explode in hundreds of shades of green. Curiously enough for an island of just five square miles and so far from Europe, Saba has the highest point in the whole kingdom of the Netherlands.

Saba is also unusually neat. Some of the Caribbean's prettiest clapboard houses can be found in the villages of Windwardside and the island capital, The Bottom.

Standing in gardens of bougainvillea and hibiscus, they are made of white wood, with shutters painted green or red, and verandas decorated with intricate gingerbread fretwork. Oddly, following a newly-introduced law, every house in Saba has a red roof. It seems a little draconian, but the red looks so good against the green mountainside that you have to agree with the law.

Queen Beatrix makes a tour of the six Netherlands Antilles every five years or so. An already neat island is tidied up yet further and, most importantly, the Windward aeroplane is overhauled.

An island as mountainous as this has few places on which to land an aircraft and so the airstrip - on the optimistically named "Flat Point" - is just 400 yards long, shorter than a self-respecting aircraft carrier, and has a 100ft drop at either end. The reverse thrust is given a thorough going over.

In the way of the Caribbean

the Sabans are easy to get to know and they will plug you straight into local gossip once you are on the island. The population is about 1,200 and they are divided roughly equally between white and black.

Traditionally, Saba men have left the island in search of work. They became reputed seamen: "Oh yes man, in days gone by, de ships was made of wood and de men dem was made of iron."

The Captain's Quarters is the most charming hotel on the island. It stands at the bottom of the hill in Windwardside (still 1,500ft above sea level) and its central wooden building, the original sea-captain's home, is white with a red roof, louvred windows and wooden floors.

My room on the first floor was the nicest room in the hotel, I was told. When I came down later I noticed a residual buzz of excitement in the hotel. I discovered that Queen Beatrix had left earlier that day to continue her tour on nearby Sint Maarten.

It suddenly occurred to me: I would be sleeping in the Queen of the Netherlands' bed.

Saba is untypical for the Caribbean in that there is not really a beach there - a migratory patch of grey volcanic sand appears each year in the spring and stays for a few months - but it does have slow, small-island charm and it offers a satisfying visit. It is hardly a traditional Caribbean destination - except for divers, because its slopes are as impressively fertile beneath the sea's surface as above.

In general it tends to be independent travellers and divers who make it to the island. I was in a small airplane, flying to the Virgin Islands, when I met another visitor to Saba. She was surprised I had been there and said with a southern drawl and a winning smile: "Hey, nice island. Do you know, when I was there, I slept in the Queen of the Netherlands' bed..."

There is no tourist office in the UK with information on Saba. Most up-market tour operators will include the island in a tailor-made itinerary, but only Horaequin Worldwide (tel: 017-385 3760) features the island in its brochure.

James Henderson

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Thursday was just another day in the office: a earlier business lunch and a long journey home. On Friday I found myself marching with 15,000 wild-beast in the Serengeti - who'd have thought it?

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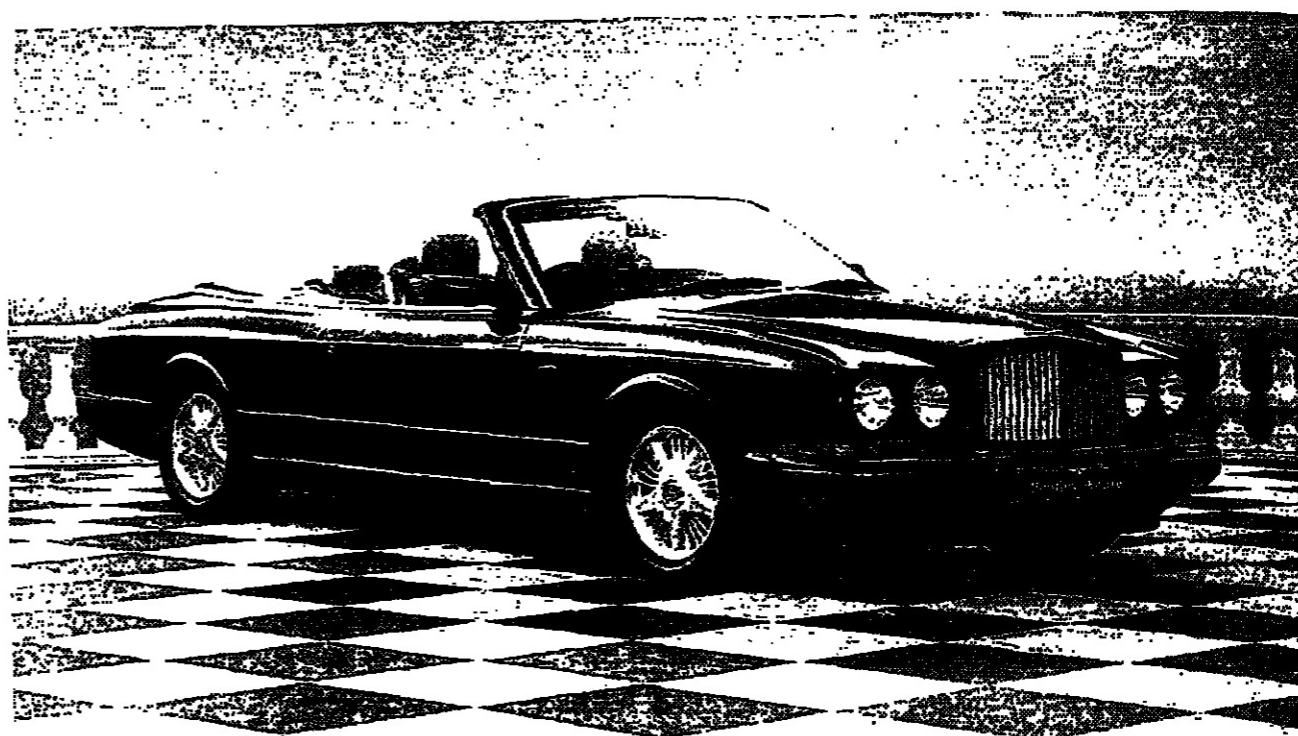
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## SPORT



The new MG F. Mid-engined and affordable, it promises to be a cult sports car for the late 1990s



The Bentley Azure. A super-luxury four-seat convertible for the motorist who already has absolutely everything

**T**wo British cars are the stars at the Geneva *Salon International de l'Automobile*, which opened on Thursday. The Bentley Azure is the ultimate in convertibles - a car for buyers who never have to ask "what will it cost?" but only "how soon can I have one?" And the new MGF two-seater is the car for which MG buffs have been waiting for more than a decade.

For the record, the list price of the Azure is £182,978 before tax, which in Britain means considerably more than £200,000 on the road. Only 118 will be made this year.

The Azure bears about the same relationship to an ordinary soft-top as Blenheim Palace does to a three-bedroom house. It is a close relative of the Bentley Continental R, which made its debut at

Geneva four years ago.

Turbocharging and intercooling have boosted the output of its venerable 6.75-litre V8 to a level that Rolls-Royce does not disclose but which must be at least 350 horsepower. In any event, it is sufficient to allow you to leave this 2½-tonne or more car from a standstill to 60mph / 96kph in 6.3 seconds. A Jaguar XJR with a determined driver would beat this, but only just.

Fuel consumption is put at 9.9mpg (28.5l/100km) in the urban cycle and a

projected average of 15.2mpg (18.6l/100km). Not only is it Britain's costliest four-seat convertible, it is also the thirstiest.

Such mundane matters as fuel consumption will not concern Azure buyers. The car is a symbol of mega-affluence, an indication to the world that you can afford the very best.

The MG F, to be priced between £16,000 and £18,500, will be the first really affordable mid-engined sports car since the Fiat X1/9 went out of production six years ago.

It is powered by two new 1.8-litre variants of Rover's K Series engine. One version produces 120bhp; the other, with a variable valve control system, 145bhp. Rover claims 0-60mph (0-96kph) times of 8.5 seconds for the former, and seven seconds for the latter, and top speeds of 120mph (193kph) and 130mph (209kph) respectively.

Tucked away behind the seats, the engine drives the rear wheels through a five-speed gearbox. The suspension is by double wishbones all round: front and rear

brakes are discs, with an anti-lock system standard on the dearer VVC model and an optional extra on the standard MG F.

The fabric top was engineered, like that of the Azure, by Pininfarina of Italy, but on the MG F it is manually operated. An optional hard top with full headlining and heated rear window can be used to "winterise" the MG F; the fabric top does not have to be removed first.

But does the MG marque mean very much to the under-30s who will inevitably lust after the MG F? I doubt it. It is a long

time since the last MG came off the production line at Abingdon in 1980. The name, once revered, was subsequently debased by MG-badged versions of the Austin Metro, Maestro and Montego.

A limited production run of the MG RV8, a machine cobbled up in 1992 from modified MGB body shells and Rover V8 engines, may have helped keep the name alive, but it hardly burnished the MG image.

But if the MG F is as good as it looks, it should carry all before it as a reasonably environment-friendly cult car for the late 1990s. The first cars in the showrooms this summer will be standard versions, with the higher performance VVC model following later in the year.

■ More next week about the show, which is at Palexpo, adjoining Geneva airport, until Sunday March 19.

## Motoring / Stuart Marshall

## A symbol of mega-affluence

## Golf / Derek Lawrenson

## The women rebound

**T**wo years ago the Women Professional Golfers' European Tour was a tee shot from bankruptcy. The end of year accounts revealed a surplus of just £5,000.

"It hadn't been for a donation of £50,000 from the Royal and Ancient we would have gone under," said Terry Coates, who played his part by agreeing to take on the role of chief executive on half-salary.

Look at the tour now. Some of Europe's best known companies have climbed on board: Marks and Spencer, Ford, Country Club Hotels, Weetabix, Evian water, and even Wilkinson Sword.

Last week the tour caught its biggest fish yet when American Express agreed to underwrite the circuit to the tune of more than £2m over three years. This represents its biggest sports sponsorship in Europe and is the sort of figure that hitherto only the men's game was able to attract.

"We chose the ladies' game because it offers better value for money," said John Peterson of American Express. "We have sponsored a men's event in the past but there you spend a lot of money for a four-day tournament and that's it. Here we were able to sit down with Terry and discuss our business objectives and try to achieve them over the course of a year."

In 1988 women's professional golf appeared to be doing well. The circuit offered 27 events and with the sport enjoying fashionable status and drawing sponsors it had everything including a young Laura Davies.

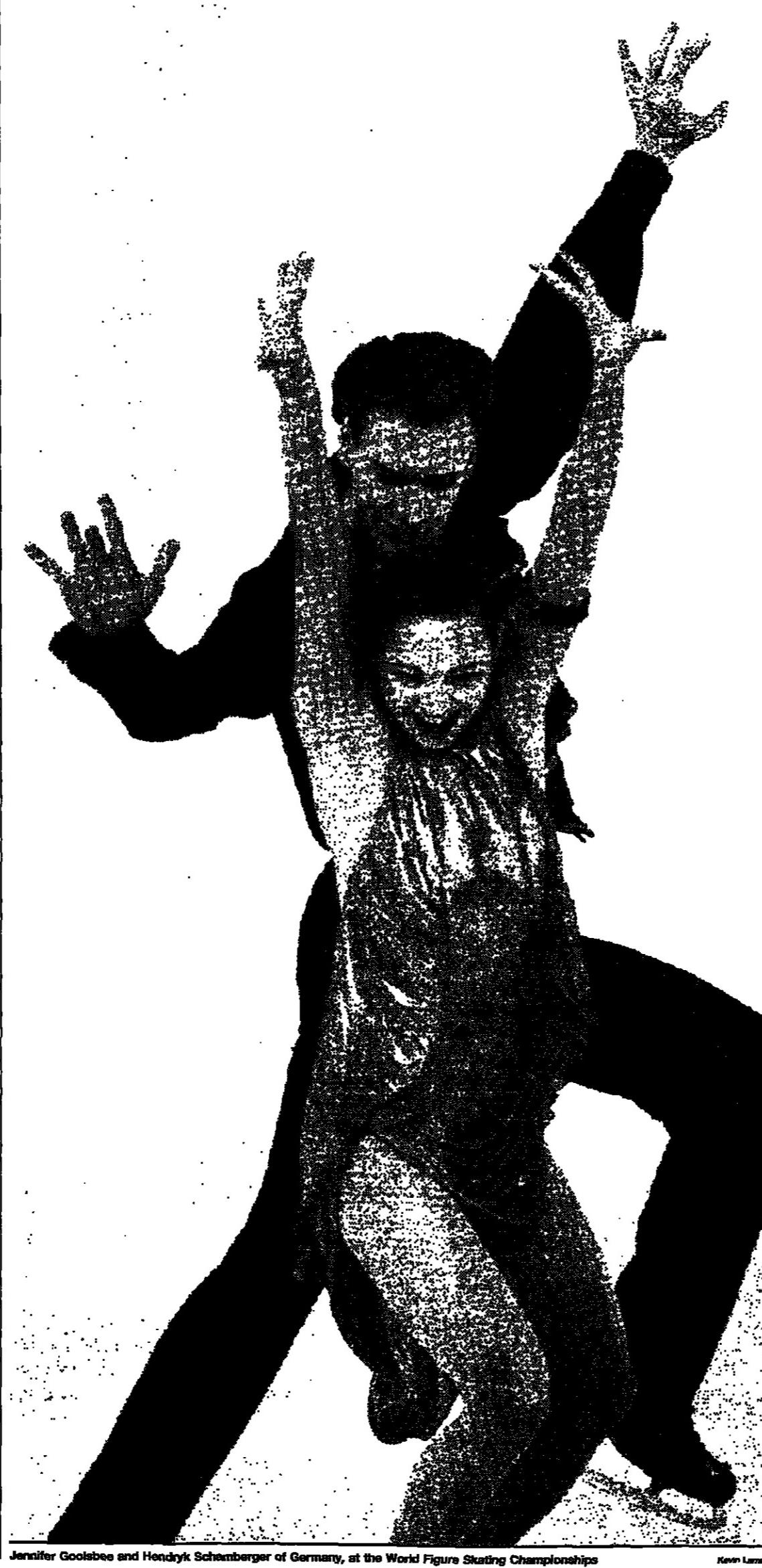
By the time Coates took over in 1993, however, management problems and public bickering had reduced the number of tournaments to nine.

Coates was 63 and had retired from various top marketing positions, including British Airways where he was responsible for the "World's favourite airline" campaign. "The tour was in a desperate state," he said. "There was no strategy and no vision and the continual changes in management hadn't helped."

"The players were running the show and that simply wasn't working. They had to get back to what they were best at, which of course is playing. The tour needed to be run as a business which has long been the secret of the men's game."

## MOTORS

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Jennifer Gossbee and Hendrik Schemberger of Germany, at the World Figure Skating Championships

## Ice skating / Marilyn Bentley

## Dancers with boots and blades

**T**his weekend in Birmingham, the National Exhibition Centre hosts the climax of the 1995 World Figure Skating Championships. With a budget of around £3m and more than 200 competitors from 50 countries, it is the biggest skating event ever staged in the UK.

Figure skating occupies a peculiar place in the pantheon of competitive sport. It is widely followed by the BBC, as most broadcaster, will be feeding 43 international visiting television networks - but its devotees are as likely to be dance enthusiasts as sports fans.

Its attractions are ambiguous. Skaters, like gymnasts, are athletes of a high order, under constant competitive pressure to increase the difficulty and complexity of their routines. But technical skill is only part of the story. Half the marks in competitive skating are awarded for "artistic impression", a nebulous mixture of musicality and showmanship which is easier to recognise than to define.

This hybrid of athletics and aesthetics makes many sports fans queasy. In soccer, a goal is either scored or not scored; teams do not win matches on style. At the other extreme, the artistic conventions of skating can drive ballerinas to hang themselves in their pointe shoes. The movements are related to dance; the jumps to the *tour en l'air*, the spin to the *pirouette* and so on. But instead of the flexible dancer's instep, the body line ends in rigid ankles encased in bladed skating boots.

Over the years of international competition, the balance has shifted back and forth between artistry and technical display. After a longish period of exciting and innovative choreography, athleticism is now in the ascendant. Medal contenders in all sections have been obliged to stuff their programmes with technical fireworks, at the expense of a sensitive and coherent interpretation of the music.

Men's competitions are now dominated by technical heavyweights. Numbers of triple, even quadruple jumps are essential to winning programmes, and choreographers have yet to solve the artistic problems presented by the sheer difficulty of what skaters are attempting. It gives the whole competition a suggestion of gritted teeth.

With this accent on athleticism, the ice dance final was bound to be geographically disappointing, with the top couples outdoing each other in flailing limbs, opposing body lines and convoluted lifts. Similarly, the

women's competition, which ends today, favours the power of Surya Bonaly, five-times European champion, over more elegant but less dynamic challengers. So, if dance fans are annoyed by the emphasis on glacial acrobatics, and sports enthusiasts are irritated by the art, why does figure skating exert such an appeal?

Some of the attraction may lie in its aura of innocence. But skating has had its controversy. The complex system of marking, which depends upon the order in which judges rank competitors as well as the number of points allocated, has evolved against a background of complaints about partisan scoring and allegations of rigging. And last year Nancy Kerrigan, the US skater, was attacked shortly before the Winter Olympics.

More traditional skating scandals revolve round whether a daring new move infringes regulations about which parts of a skater's anatomy are allowed to make contact with the ice.

A competitor can even lose marks for an immodest costume. The British judge Virginia Riley marked down an almost flawless performance by the 1989 Soviet champion Alexander Fadeev because of the male equivalent of a visible panty line.

It is a sport in which every spectator can be a judge, even if they do not know a triple toe loop from a left hook. "Artistic impression", even for experts, is ultimately subjective. Skating programmes can be based on any style of dance, from jazz and folk to classical ballet or the Viennese waltz.

At world class, deciding between them is akin to comparing Fred Astaire and Ginger Rogers with Fonteyn and Nureyev, or Gene Kelly with John Travolta. It is a matter of taste.

Figure skating also offers the appeal of the circus: daring young men, and pretty girls in spangles. Figure skating is graceful and theatrical. It not only looks dangerous, it is dangerous. The movement executed in pairs competition, where the woman's body is swept round in an arc almost parallel to the ice, is not called a *death spiral* for nothing. For the spectator, that provides the frisson of watching the trapeze artist perform without a safety net. A tiny misjudgment can mean the difference between a gold medal and a gold tooth.

At its highest level figure skating is a sublime synthesis of precise physical prowess and artistry. And which other sport rewards competitors not only for getting it right, but for getting it beautiful?

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## FOOD AND DRINK

# Lunch for a Fiver: why 200,000 took part

Nicholas Lander reports on the success of the FT's latest restaurant promotion and hears what restaurateurs have learned from the experience

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6. Hole in the Wall, Bath (01225-425242)
7. St. Olave's Court Hotel, Exeter (01392-217738)
8. Daphne, NW1, (0171-267-7322)
9. Futrells, EC2, (0171-638 8341)
10. Clos du Roy, Bath, (01225-444450) and The Brackenbury, W6, (0181-748 0107).

**T**en days ago, among the usual bills, was the following letter from a reader: "I just wanted to say what a wonderful fortnight you organised for all who took up the £5 plus lunches. I was lucky enough to take my mother out to Winteringham Fields, my best friend out to Simpsons-in-the-Strand and my husband to Knoted in Putney. It helped to make my February much, much shorter."

The reader was referring to our FT lunch promotion last month, in which some of Britain's most popular restaurants offered set lunches for £5, £7.50 and £10 with the chances of prizes for restauranteur and reader alike.

Winteringham Fields on Humberstone won our prize in the £10 category – faultless – and to Simpsons it was the booby prize since there was no £5 FT report card to be seen. Its spotted duck is lovely, however.

Although I received many compliments there were also several complaints. Many letters accompanied the 12,000 questionnaires completed by some of the people – around 200,000 – who took part in this year's promotion. The questionnaires represent what is thought to be the largest snapshot of the British restaurant scene ever recorded.

Gill Rowley, of the Consumers Association which publishes *The Good Food Guide*, reports that, pre-recession,

when restaurant-going was at its most popular in the UK, they received no more than 10,000 reader reports a year.

Within the FT we have processed the questionnaires to arrive at the top restaurants in each category and their names are printed alongside. We also rang the restaurateurs to gauge their reactions.

The most important criterion was the spirit in which restauranteurs, and to a lesser extent customers, entered into the promotion. In early December, I wrote to all the restaurateurs to ensure that they were at their very best during this fortnight. I gave most importance to number five on the questionnaire: "How well did the restaurateur enter into the spirit of the competition?"

I was pleased to see that after two excellent FT lunches in London, at Odeote's in NW1 and Byron NW3, he was disappointed in Jollie's, W1. He said he had booked well in advance, specifying the FT menu but was initially given the à la carte menu. This was rectified but he was then served a glass of wine with cork floating in it. This too was rectified – as was the missing bottle of mineral water which he had ordered. The last straw, he felt, was when, after establishing that leek and potato soup was the soup of the day, he could not order it, as it was not being offered to FT readers.

I saddened me when an old friend phoned to say that after two excellent FT lunches in London, at Odeote's, he was disappointed in Jollie's, W1. He said he had booked well in advance, specifying the FT menu but was initially given the à la carte menu. This was rectified but he was then served a glass of wine with cork floating in it. This too was rectified – as was the missing bottle of mineral water which he had ordered. The last straw, he felt, was when, after establishing that leek and potato soup was the soup of the day, he could not order it, as it was not being offered to FT readers.

Peter Aspen, the FT's deputy arts editor, farewelled better at Butler's Wharf Chop House in London awarding it 12 marks out of 50 and commenting: "It was made to feel cheap. A terrible experience."

Questionnaires also charged the Dôme restaurants, Belgo, Thierry's, the Café Flo and Café Rouge groups in London, and the Crab and Dragon of Camberley, Surrey, with not entering into the spirit of the competition because they chose price categories higher than their normal menu prices.

I had hoped that in restaurants where this might be the case a special, value-packed menu might be offered for the fortnight but this was not to be.

In restaurants with more

than one branch communication was obviously a problem. One reader's request in a Café Rouge for the FT menu was interpreted by the waiter as a request for a cup of tea. But, where meals did seem to go wrong, several restaurants reacted promptly.

This year, with only a few exceptions, restauranteurs spent a higher average spend per customer but the two most notable exceptions to this were at Fredericks, London N1, which served 1,692 £5 lunches in a fortnight. One customer asked, ironically, whether valet parking was included in the price, while one couple produced a flask of coffee and promptly requested cups, milk and sugar.

One factor which seemed to ameliorate the often uneven relationship between restaurateur and customer was the presence of the questionnaires on the table, a view confirmed by Leo Brooke-Little, proprietor of The Marsh Goose, in Gloucestershire.

He said: "Customers were generally appreciative of our £5 lunch although when they came to fill out the questionnaire they took on the role of chief restaurant critic for a major newspaper. One couple gave us four out of 10 for value for money and then tried to book a table for the next day. Customers can be fickle."

David Adlard, a Michelin-

starred restaurateur in Norwich, said: "I joined at the last moment and thank God I did! Apart from a couple of days, we were full and turning over a decent amount of money and PR. It was great motivation and buzz for the staff working here."

Percy's restaurant, Harrow, north-west London, reported an average spend of £13.50 from its £5 menu. In Edinburgh Martin Ivens reported that his £10 menu filled his restaurant,

Martins, for three weeks with an average spend of £25. Martin Lam, of Ransome's Dock, London SW1 calculated that his £7.50 lunch menu generated an average spend of £22 this year compared with £13 on the £5 menu when he ran the promotion two years ago.

The most precise breakdown came from Paul Henderson of Gidleigh Park, in Devon. Henderson, formerly a management consultant, kept a separate sales ledger for the 15 days of his £10 lunch, together with a graph, and gave us these figures: turnover, ex-VAT £7,281.03; average spend, ex-VAT £20.86 (inc VAT £24.47); food, ex-VAT £12.77 (this includes those choosing a third course); wine, ex-VAT £5.97; bar, ex-VAT £1.86; other, ex-VAT 25p.

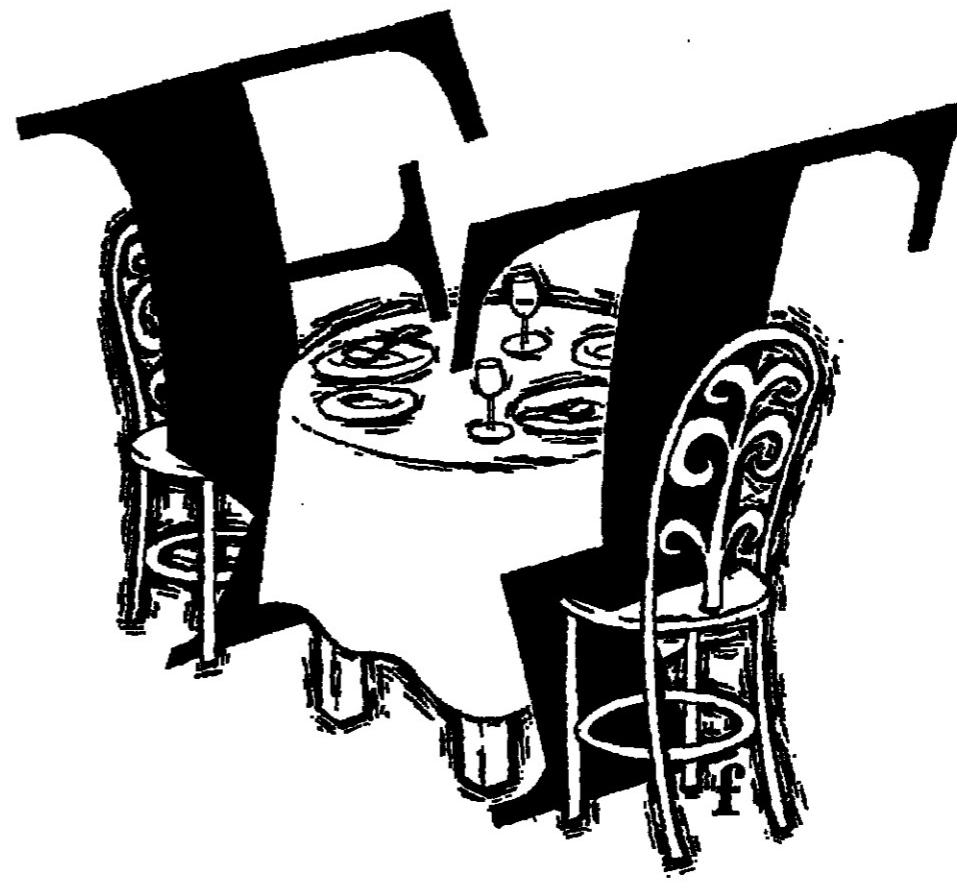
This revenue was generated from 121 tables comprising 349 covers. Henderson confessed that, after 17 years as a hotelier, the FT lunch promotion had taught him a lesson in marketing and convinced him that there is a price at which lunchtime trade is profitable and highly appreciated. The spin-offs of marginal pricing are substantial, too. Staff motivation and the knowledge that many customers will return at full price are the two most obvious. Some 200 customers (50 who came, 50 who could not get in) have already been mailed about a Gidleigh Park Lunch Club – clearly an asset.

John Lloyd, proprietor of Bryn Howel Hotel in Wales, which was winner in the £5 category, saw turnover increase by over 150 per cent during the fortnight, but knows that there is more to come. There were many requests for conferences and functions and, perhaps more surprisingly, a firm booking for a wedding.

Two years ago, the FT's *Lunch for a Fiver* made restauranteurs aware of just how price-sensitive their market was. This year, by extending the price range from £5 to £7.50 and £10, the FT has allowed many restauranteurs to discover a worthwhile lunch trade.

On the second day of this year's promotion Captain Beauchamp Blackett, one of the City's more colourful restauranteurs, sent me a fax. "Great stuff" he wrote, "taking £400 up on previous Tuesdays. Now how about doing something about the evening trade in the City particularly in August?"

Certainly the enthusiasm for another FT lunch offer is clear. In anticipation of an even bigger promotion next year I would like to congratulate the winning restaurants – in each category it was a close-run thing – and thank the many thousands of readers who returned their questionnaires.



## Top ten £10 menu

1. Winteringham Fields, Winteringham, Humberside (01724-733098)
2. Gidleigh Park, Chagford (01647-632087)
3. Stephen Bull Bistro, EC1 (0171-450 1750)
4. Beeston's, W1, (0171-734 4782)
5. The River Cafe, W8 (0171-361 8824)
6. The Promenade at The Dorchester, W1 (0171-523 8866)
7. Beauchamp's, EC3 (0171-521 1331)
8. Horsted Place, Uxbridge (01825-750851)
9. Overton's, SW1 (0171-889 5774)
10. Bettjemans, EC1 (0171-799 4981).

## Winning FT readers

The following three readers have won a prize, in our free draw, of dinner for two at a restaurant of their choice, up to a value of £200: Ms Ann Klemmick of Barnet, Herts; Mrs J.A. Rose of Appleton, Cheshire; and Dr D.J. Lee of Aberdeen. Bon appetit.

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## Wine

# Pick up a perfect bottle of Pinot

Jancis Robinson debunks the myths surrounding the Pinot Noir grape

but the wine is terrific. A bit oaky but very bright and fruity. A thousand cases were made and sold almost immediately at \$36 a bottle. The only bottles to cross the Atlantic have been hand-carried.

I suspect that the apparent barrage of charming young Pinots from newish regions owes something to viticulture: that the leaves on these young vines are not competing too hard for the grape-ripening nourishment available.

These are just some of the Pinots I have enjoyed recently.

**Oregon**  
Beaux Frères 1992. Famous for being run by Robert Parker's brother-in-law and wife,

but the wine is terrific. A bit oaky but very bright and fruity. A thousand cases were made and sold almost immediately at \$36 a bottle. The only bottles to cross the Atlantic have been hand-carried.

Domaine Drouhin. The only American outpost of a pukka Burgundian house, this is an exceptionally well run winery producing consistently fine Pinot Noir. The 1990, which ran off with last year's Pinot trophy in the International Wine Challenge, is £16.99 from Odibbons Fine Wine shops and is also available from La Vigneronne of London SW1 (0171-357 8865).

Christom Reserve 1992. Made by Steve Doerner, a refugee from Calera in California whose wines do more than whisper b-u-r-y-u-n-d-y. Wines, £12.50 and £13.50, from Morris & Verdin, London SW1 (0171-357 8865).

Bon Climat. Consistently exciting producer in the foggy hinterland of Santa Barbara whose wines do more than whisper b-u-r-y-u-n-d-y.

Wines, £12.50 and £13.50, from Morris & Verdin, London SW1 (0171-357 8865).

New Zealand  
Martinborough 1991, New Zealand. This winery in the Martinborough/Wairarapa region near Wellington in the south east of the South Island has made a run of stunning Pinot Noirs (and some excellent Chardonnays). The 1988

was great and the pure concentration of this 1991, unearthing in the Penhill Arms in Abergavenny, lives on in the memory. Not, sadly, in retail distribution, but Lay & Wheeler of Colchester (01206-754465) and Adams of Southwold (01542-724223) list the 1992 at under £11 a bottle.

From Estate. A new, Swiss-style outfit in Marlborough actually has its own winery and has some very promising 1994 Pinot in barrel. A name to watch.

Australia  
Coldstream Hills Reserve 1993. Gorgeous stuff from the Yarra Valley thanks to Australian wine writer James Halli-

day. Pinot Noir grapes clearly have to be picked at the critical moment in this part of Victoria. £11.99 Odibbons.

Freyneet of Tasmania. This ambitious winery has run into problems because of the similarity of its name to Western Australian wine producer but its reds, including Pinot Noir, are very fine.

**Spain**  
Vinas del Vero 1989 Somontano. This very true, if slightly light example was a real shock when I first tasted it and wondered where on earth Somontano is. (In the Pyrenean foothills, north east of Zaragoza, is the answer.) £5.99 bigger Safe-way stores.

**Germany**

Königschaffhausen Steingrub 1990 Baden. This dry Auslese from the local co-op was voted best Pinot Noir from 40 Swiss, Baden and Alsace examples last summer. It has plenty of colour and tastes really ripe and welcoming.

anything among your border plants which is growing well in a wide mat or clump of roots. Now is exactly the moment to strike: as the green shoots start to appear. Day lilies, the long-lasting Aster frickarti, sedum, phlox, tradescantia and agapanthus are among the obvious candidates for rapid multiplication. A short, sharp strike with the spade is clean and effective, although picture books tell you to split tough clumps by sticking two small border forks back-to-back through the plant's middle and then forcing them apart. Sometimes, I find that this illustrated technique makes a frightful mess.

The supreme advantage of splitting your own runners is that you can build up natural drifts and groups as if your mainstays are part of the local vegetation. One of the charms of an exotic jungle-like Ninja's is that so many plants are grown informally as if they are natural to the site. The TV presenters had much to say about paradise and the natural style before the garden's presiding genius, Laird Marcher, remarked that he had planned over a team of seven gardeners. It made me feel less pathetic about my own endeavours, gradually built up from splitting and division in this immediate month of March.

and you can now space out the new growth so that it does not become tangled at the top of the plant in a traditional cottage-muddle. The stems are less able to bruise one another and leave a wound through which wilt can enter. The flowers look far better if they are not all clustered into a top-heavy tangie. Attack your annual-flowering jackmannia and stop it becoming a miserable mess.

Strictly, it is also late to be cutting roses but the result will at worst delay their flowering for about a fortnight. Only two main groups are better for the hard pruning which amateurs like to give them, seeing the treatment of rose bushes in local parks. Old-fashioned roses need only to be shortened slightly and freed from dead growth or stems which have turned a deadened purple during the winter, always cut back to an outward-facing bud which will be show-

ing by now like a little pip on a green part of the stem. Never treat the old bush roses like the modern, large-flowered Hybrid Teas.

The latter are the roses which park-keepers prune down to a height of six inches, too low for my taste as I am not aiming at a few exhibition flowers on each plant. I would rather remove weak and dead growth and cut the remaining stems down to a height of about a foot. The floribunda forms, including the favourite white iceberg, should never be mutilated so firmly, their growth can be shortened by about a third but they will flower less well if you hit them hard at this late date.

The

only other candidates for a severe attack are climbers in their first or second year. Britain is not Ninja and you will want your roses to look well-covered down to their base on a wall. The art is to cut them back to a low bud

## PROPERTY



Imposing Georgian: Ballywillwill near Castlereagh is on the market for £250,000



Move up in Down: Finnabrogue has a 50-acre estate but needs work. The asking price is £330,000

## Peace pushes up Ulster prices

Gerald Cadogan finds the Northern Ireland property market benefiting from the terrorists' ceasefire

**T**his Friday is St Patrick's day. St Patrick founded Armagh cathedral in 444 (or 445) as the seat of Irish Christianity but from the 16th century, Armagh had both Roman Catholic and Anglican (Protestant) archbishops. They quarrelled, and separate cathedrals (both dedicated to Patrick) enshrined the split. But now peace and prosperity seem to be growing by the day.

This new confidence has released the property market. Northern Ireland is the only place in the British Isles (apart from central London and pockets of the home counties) where prices are rising. Turnover is also climbing. In Londonderry "prices rose 20 per cent last year, more than anywhere else in the province," says estate agent John Arthur. "It has been the quickest rise I've seen in 30 years."

The historically low interest rates a year ago started the rise, which the ceasefire, and EU and US grants, are driving forward. But other influences were already at work. The Northern Irish economy has grown strongly thanks to an excellent road system, high government and EU expenditure, inward investment in factories and Belfast's development into an important shopping centre.

There is no negative equity to cripple the market as house prices stayed low throughout the troubles. They still are low, in spite of the recent rises. While the average mortgage is £20,000, at the top end of the market, which agent Eric Cairns handles, it is £100,000.

The Royal Institution of Chartered Surveyors' (Northern Ireland branch) recent report, *The Effects of Lasting Peace on Property and Construction in Northern Ireland* (£12), prepared by the Real Estate Studies Unit of the University of Ulster, described a "buoyant" residential market.

The ceasefire, it said, was "an exogenous shock" which will increase demand and push up prices.

Many who have wanted to move - but could not because of the troubles - are starting to look, and Northern Ireland people who left are expected to go back, including refugees. "In the 1980s, Northern Ireland was a retirement area," said Cairns. "It offers a super standard of living, with good golf, walking, sailing, schools and shopping."

Shoppers who "previously declined to shop in the city" (as the RICS puts it) have returned to Belfast. Traffic is growing at Belfast International Airport (Aldergrove), privatised last summer. Air



Like Fulham, except for the price: Clooney Villa, Londonderry, £100,000

Belfast has started flights to and from Stansted, and British Airways has flights to Manchester.

Sales of new homes are strong, and will stay so. Speculative builders have been targeting the middle and upper price bands which will push first time buyers, the RICS says, into the secondhand market - unless they are lucky enough to obtain a three-bedroom semi-detached house in a new 2.4 acre scheme in the Shankill Road area for only £27,000 (with the help of urban development grants).

This is the first private sector scheme in the area for years. It shows the peace dividend in action, opening up a closed part of Belfast.

Although it is not yet on the market, bookings have opened with strong inquiries for 35 of the 41 sites, says agent McKinley. The Antrim Road area, which had been difficult, is now excellent value, with good houses between £85,000 and £150,000.

Poised overtime is a stimulus that may wane, the RICS suggests. Extra duty has been a prolific source of income, especially for the large RUC Reserve and the police are an "important segment of those occupations earning over £30,000".

RICS also foresees a reducing volume of work for lawyers, affecting the top end of the market. One group which will continue to seek expensive

houses are senior police officers, who are not paid overtime.

The peace may start to break down the Protestant and Catholic ghettos of the last 25 years, but the smart areas such as south Belfast and Holywood are already mixed and have been more trouble-free. This level of the market has been moving "fairly smartly", Cairns says.

On the south side, terraced houses near Queen's University start at £265,000 and may cost more than £100,000. Further out around Malone, prices range from £125,000 to £300,000. Holywood, known as "the gold coast", to the east, has some very expensive houses" at more than £200,000, and a few in the £400,000-£500,000 range.

Agent McQuarry Ross has sold a town house in the Upper Malone Road for £57,000 (with a market value last year of £55,000), and terraced houses valued last year at £20,000 to £42,000 sell now at £27,000 to

£50,000. Outliers looking for country properties should heed the RICS's fears that, in the long run, too many outside purchasers will affect the balance of the rural communities. That has happened in parts of the Republic. But such owners make houses unaffordable to the locals and are left idle for much of the year.

In the country near Belfast, where commuting is easy, it is a choice between County Down to the south or County Antrim to the north.

A grand house for sale in Down is the Maxwell family's Finnabrogue near Downpatrick which is on the market for the first time since 1935. The estate has shrunk to 50 acres and, unsurprisingly, the Georgian house needs work, but the price from Cairns is just £330,000. Another imposing Georgian house with a large columned portico but only three acres is Ballywillwill near Castlereagh (Agar, Murdoch & Deane, £50,000).

Further from Belfast, Co Fermanagh is beautiful and draws fishermen but you need to be dedicated to the countryside.

In Londonderry, John V Arthur is selling an attractive late Victorian villa, Clooney Villa, at 63 Linenavady Road which would look good in Fulham, but is not at Fulham prices. The agent asks for offers over £100,000.

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## Cadogan's Place Hong Kong stays top of the list

**H**ong Kong is the world's most expensive city for an executive to buy a three-bedroom flat or rent on a short let, a new International Apartment Survey from Knight Frank and Rutley reports.

In US dollars, a flat in the Peak district costs around \$3,64m (£2.21m), or \$23,400 a month to rent. Second comes Singapore's district 9, where buying is two-thirds less than Hong Kong and renting three-quarters less.

But the disparity will alter, as the Hong Kong property market continues to decline from its peak of late 1988 and early 1989. Prices are already between 25 and 35 per cent lower and KFR anticipates a further fall of between 5 and 10 per cent before they level off in the third quarter.

As third on the list, London leads the European division, with a flat in Knightsbridge costing £730,000 (£1.2m) or \$5,100 per month to rent. It is the only European city in the survey where prices have risen in the past two years. Elsewhere, buying prices have fallen, for example by 8 per cent in Munich (now \$877,400) and 20 per cent in Milan (\$112,800).

Brussels is the cheapest European city for rentals at \$1,900 a month, followed by Madrid, Milan, Paris and Stockholm which are all between \$2,300 and \$2,700. Fourth on the list is the Hiroo district of Tokyo, where values are sharply down from 1992 when it was the most expensive city to buy in. New York is fifth. A Manhattan flat at \$1.15m, or \$4,500 to rent, is marginally less than its London equivalent.

Prices have increased on Park Avenue, Fifth Avenue, and Central Park West, by between 5 and 10 per cent over the last 18 months and will probably continue to rise at slightly above the rate of inflation, suggests Alan Rogers, of Jackson-Stops (01244-328361) who set a specific price, but estimates its value at between £250,000 and £500,000.

Equally uncertain is the price of Rodborough Fort in Gloucestershire, an 18th century folly with views across Stroud and the river Severn. On April 5 the National Trust puts it up for auction as a private house. Inquiries to KFR (01285-653771).

■ Foreigners posted to

Gerald Cadogan

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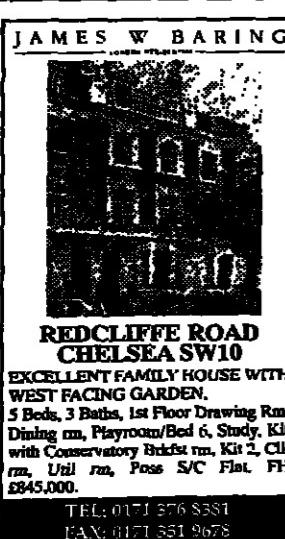
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## BOOKS

*George Bush's favourite book during the Gulf War of 1990/91, he told an audience in Burlington, Vermont, was Martin Gilbert's *Second World War*, a "great, big, thick history".*

The then President of the US liked to impress upon the American public and the world generally that there was a parallel between what Hitler did to Poland and what Saddam did to Kuwait (for FDR read Bush), although Bush's historical perspective appears to have been a limited one.

Jentleson, an academic who has served in the department of state, has taken a longer view, probing classified and unclassified material for a more rounded picture of the conduct of US foreign policy in the run up to the Gulf War.

His book would make uncomfortable reading for Bush, for it shows how his administration during the 1980s, in pursuit of a policy first instigated by Ronald Reagan, chose

## Turning a blind eye on Saddam

Jimmy Burns examines US foreign policy in the decade leading up to the Gulf War

to turn a blind eye to a growing body of evidence not just of appalling human rights violations in Iraq, but of Saddam's military ambitions.

The core rationale driving US policy towards this Middle Eastern rogue state for nearly a decade was "the enemy of my enemy is my friend". The strategy was to strike an alliance of convenience with Baghdad capable of countering the fundamentalist threats emanating from Tehran and curbing Soviet strategic designs on the Persian Gulf.

In the spirit of such realpolitik, the US presidency was built up with commercial lobbyists and compliant government officials to approve a range of agricultural and dual-

use exports and favourable credit lines – in spite of reports of horrific uses by Saddam of chemical warfare against the Kurds – and the build up of a nuclear-based military programme.

Not only were Iran and the Soviets not contained as a result of this policy, but more seriously the "friend" became the enemy.

Much later senior officials of the Republican administration conceded that with the benefit of hindsight, there were some things that they might have done differently if they had known what was going to happen.

In fact, as Jentleson shows without any room for doubt, warnings about Saddam/Hitler were sounded early and often from the mid 1980s

by journalists, academics and the intelligence agencies. In explaining why these warnings were not acted upon, Jentleson eschews the conspiracy theory in favour of a more credible cock-up theory, based on

WITH FRIENDS LIKE THESE: REAGAN, BUSH AND SADDAM 1982-1990  
by Bruce W. Jentleson  
W.H. Norton £18.50, 300 pages

mistaken policy formulation and implementation.

Conspiracy means to act behind the scenes in breach of the law. It is an allegation which Sir Richard Scott, the British arms-for-Iraq inquiry, is having to take seriously

as he probes the apparent tendency of the UK government to have said one thing to parliament on its Iraqi policy, but to have implemented something quite different within the hidden recesses of Whitehall.

By contrast, Jentleson's account shows that in the US the president's policy towards Iraq was the subject of open debate on Capitol Hill, and once defined left very little room for ambiguity. No complex government "guidelines" as in the UK, but a straight forward executive declaration of intent, although the export of some dual-use components may have breached restrictions on the export of military equipment.

In his critique of past US presidents, Jentleson does not belittle

the military and political achievements of Operation Desert Shield and Desert Storm – the deployment, under the guiding leadership of the US, of 400,000 troops by a 31-country coalition first to protect Saudi Arabia and then to liberate Kuwait.

But he does raise the question as to whether an alternative foreign policy may have stopped Saddam dead in his tracks well before hand, thus avoiding the human suffering as a result of the war, the economic and environmental costs.

In the euphoria that came with military dominance, Bush spoke of a "new world order" arising out of the Gulf crisis, "a new era free from the threat of terror, stronger in the pursuit of justice and more

secure in the quest for peace..."

In its attempts to translate such rhetoric into practice, the Clinton administration has fallen short of success, although not for want of trying. Faced with the shifting ideological sands of the postwar era, the US presidency has floundered on a mix of principles and political expediency. Whereas Reagan and Bush were able to ride roughshod over the objections of Congress, this executive, having lost its majority, has no alternative but to listen.

Jentleson, an ex-adviser to Al Gore, the vice president, nonetheless writes with the authority of someone that is used to being listened to – and deservedly. He argues strongly that the long-term interest of non-proliferation should inform and guide US foreign policy. Likewise the brutalities of individual states should be adequately taken into account when deciding alliances.

## Gladstone: a man for two centuries

This is the end of the life of Gladstone, at least as told by H.C.G. Matthew, the Oxford historian who has so carefully tended it over the years. It will be hard for anyone to do better. Matthew's work is fair, thorough, critical and ultimately admiring. The main impression that emerges is that Gladstone was a remarkably modern figure who left his mark on the 20th century as well as the 19th.

He was also a voluminous diarist. His first entry was written when he was a schoolboy at Eton in 1825. Thereafter he wrote almost daily, with a few brief gaps, until shortly before his death in 1891. There are over 25,000 entries mentioning more than 22,000 people.

Gladstone left no instructions about what should happen to the diary after his death. It contains passages, especially about sexual temptation, that are unfavourable to the man, but – as Matthew observes – he must have known that it was important that it should not be destroyed.

Matthew has performed two tasks. He has written most of the introductions to the diaries as they have been published, and he has put the introductions together in slightly revised form so that they can be read as a biography in their own right.

The second and final volume begins in 1875 when Gladstone, who had already been in parliament for 42 years, could have rested on his record as classic British prime minister, one who was tipped from the start to reach the top, and made it. Instead he began his comeback and again reached the premiership. The book ends with Gladstone's funeral, which Matthew describes as the "last great set-piece of Victorian Liberalism". The final stages of the progress of the old man in his coffin to Westminster Hall took place on the London Underground.

Matthew writes of the 1880s as "the decade which faced both ways". It looked back to the high noon of the mid century and British economic hegemony where the activities of government were kept to a minimum. It looked forward to collectivism and imperialism. It was also a period of immense technological change, the beginning of the modern era. Gladstone was at home looking both ways; his achievement was to reconcile the two, while looking essentially to the future.

He was one of the first politicians to recognise that America was overtaking Britain's economic supremacy "as if at a canter". He was the first to recognise and exploit the possibilities of modern communications, principally the use of one

medium to gain access to another. It was not so much the crowds that attended his political meetings in Edinburghshire (as Midlothian was literally called) that counted; it was the way his speeches were reported, word by word, in the national press.

According to Matthew, one line of Gladstone's speech notes generated seven to eight minutes of oratory. Yet the bad news as well as the good came in by methods unknown in the past. Up-to-date accounts of the drama of General Gordon at Khartoum in 1884, one of Gladstone's low moments, were read daily at Britain's breakfast tables.

There were other firsts. Gladstone was one of the earliest advocates of a national theatre and a channel tunnel. He was offered £25,000 to produce an autobiography, and a New York publisher promised £25,000 for the serialisation rights, though the book was never finished nor seri-

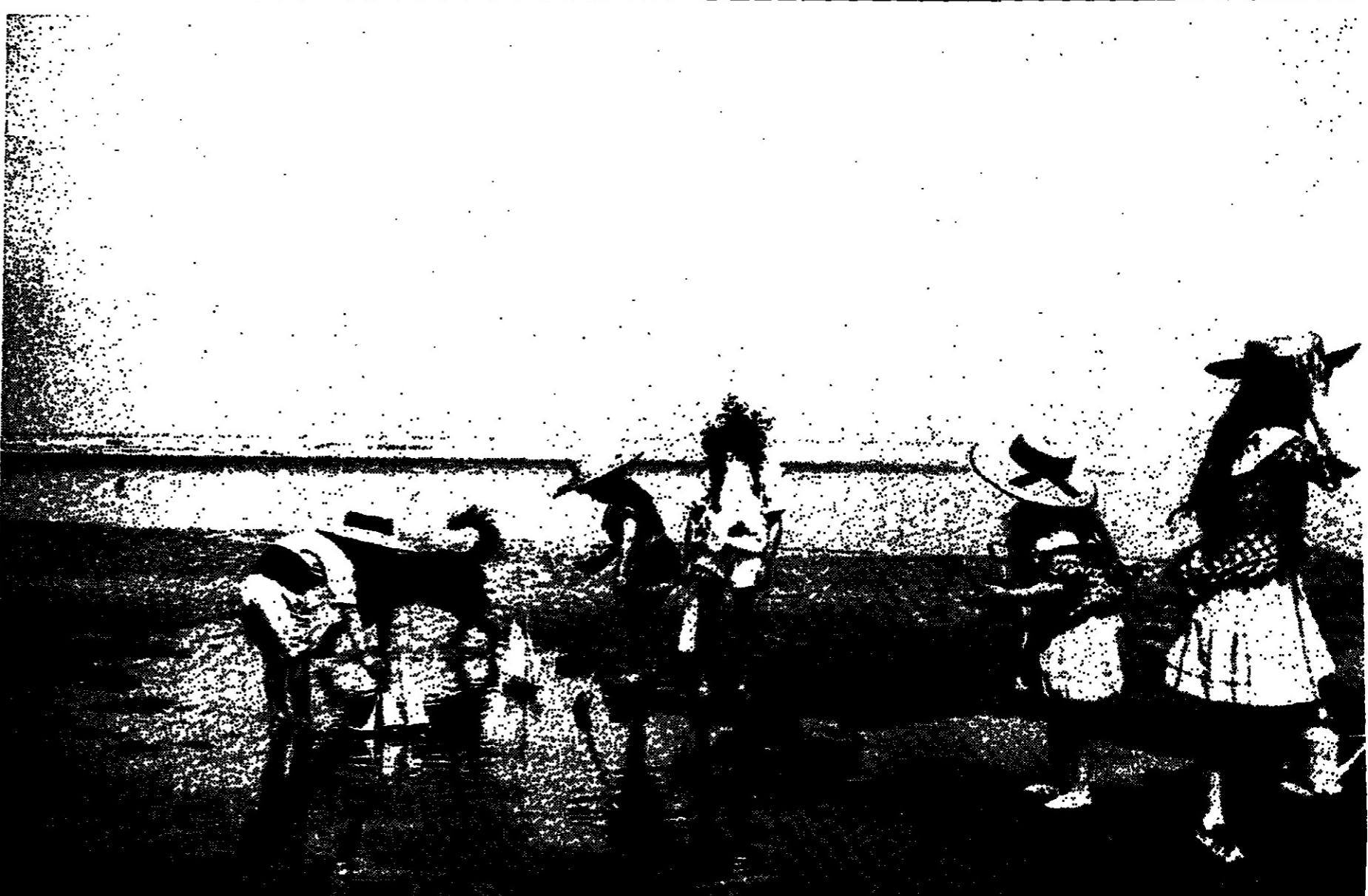
ously attempted. Gladstone was also one of the few British prime ministers repeatedly to decline a peerage. He died plain Mr.

There were failures, of course. At the time, the biggest was deemed to be Ireland. Yet, with hindsight, that view looks suspect. In supporting Home Rule Gladstone had at least recognised a problem. He was prepared to offer similar benefits to Scotland. In short, he realised that the unitary constitution of Great Britain and Ireland might not be sustainable in the long run. Matthew conjectures that Gladstone might have been thoroughly at home in the European Union, where the position of Britain would have been closer to Home Rule than to independence.

The achievements were to preside over a mixture of stability and change that was not always present in the rest of Europe, to preserve a generally civilised governing elite while the franchise was being extended, not to overextend government intervention and to stick to free trade. In that sense the Gladstone tradition remains, even if mainly as an ideal.

Perhaps the one area where a modern politician would not recognise him was open commitment to religion. In the election of 1880 he appealed to "the Gospel of our Saviour Christ" which was "above all the Gospel of the poor". No British political party leader has spoken like that since. Yet at the time it did not seem odd, and it worked.

Malcolm Rutherford



Portrait by the artist as a young boy. Jacques-Henri Lartigue, the celebrated French photographer who died in 1986 at the age of 92, was given his first camera at the age of seven and took this picture of his cousin two years later. Lartigue's early photographs, evoking an innocent world before the outbreak of the First World War, have been assembled in "Boy with a Camera" by John Cech (Pavilion £9.99, 32 pages)

## Queen of the Victorian blockbuster

Jackie Wullschlager on a 19th-century writer who chose life – and money – over art

Mrs Oliphant is the white elephant of Victorian literature. Styleless, old-fashioned and too prolific, she was a joke figure even in her own time. Trollope satirised her as the slapdash, dishonest writer Lady Carbury in *The Way We Live Now*. Henry James drew a merciless portrait of her as the vulgar, desperate authoress Mrs Stormer in the tale *Greenville Fane*. The critic Leslie Stephen complained that she resigned her chance of writing a novel "to stand on the same shelf as *Adam Bede*, because she wished to send her boys to Eton". Hardly any of her 38 novels are now in print.

Mrs Oliphant wrote, unashamedly, for money and that is why she is a compelling figure today. She was one of the earliest writers to exploit the 19th-century techniques of mass production and an increasingly literate population by selling herself and her books as products

with a market price. At a time when fat advances and publishers' hype dominate current interest in fiction, the story of her life and art as a fiction-machine offers a rare look at how best sellers were first created and at what cost.

Margaret Oliphant was born in Scotland in 1828 into a family of strong women and pathetic men. Her mother encouraged her to write and launched her into Edinburgh literary society. By 25, she was supporting two feckless brothers, her indolent husband-and-cousin, and a brood of babies by churning out several pot-boilers a year.

By 35, she was a widow working to keep her own and her brothers' orphaned children and writing so fast that it sometimes took her less time to complete a book than to haggle over its price in a series of letters. The family moved from a cottage in Liverpool to houses in London, then to Windsor, where Mrs O took tea with the Queen.

She was paid well but not spectacularly – £1,500 for *The Perpetual Curate* in 1864, for example, as against Trollope's £3,525 for *Can You Forgive Her?* in the same year, or Dickens' £12,000 for *Little Dorrit* (1855-57). Set a smart house in Windsor, which Mrs Oliphant

had two sons, Cyril and Cocco, into phoney aristocratic monsters. After Eaton, they became drunkards, dissolute who enjoyed humiliating their mother by squandering her cash; both died in their 30s.

None of Mrs O's children survived

her and in her last years she suffered a series of bereavements and a loss in popularity as a result of finding her own market.

Mrs O's moving autobiography (1899) – her best work – explains how both temperament and necessity drove her to choose life over art or best-sellerdom over creativity. Reading Charlotte Brontë, she commented cheerfully: "I don't suppose my powers are equal to hers – my work to myself looks perfectly pale and colourless beside hers – but yet I have had far more experience and a fuller conception of life."

And "these superior heroines are very awful people", she wrote of *Middlemarch*, wishing that "George Eliot would not be so harsh upon all mediocrities". Choices like hers, and the venom they inspired in writers like James and Trollope, mark the start of the debate about elitism and high- and low-brow culture which continues today.

This sympathetic and well-researched book has two main flaws.

First, Elisabeth Jay never confronts the fact that Mrs Oliphant's fiction was very bad – a common failing among many feminist critics.

Second, the thematic, rather than chronological organisation of material, a device which rarely benefits biography, here leaves us trying to work out who has been born and died at what time while Ms Jay grapples with her theories of "arranging the narrative".

Nevertheless, for anyone interested in the story of fiction, here is a perceptive introduction to a woman whose very ordinariness made her an extraordinary phenomenon in literary history.

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## Fiction/Joan Smith Metaphor for the 1990s

SAINT RACHEL  
by Michael Bracewell  
Jonathan Cape £9.99, 210 pages

features "with the cold fascination of a lover rereading an old love letter, the contents of

which had been forgotten".

With her relentless black clothes and black contact lenses, Rachel is his dark angel, a foil to the blond hair which is a visual reminder of John's lightness of character.

John's lightness of character and John's desperate willingness to ignore it.

One of the cleverest things about *Saint Rachel* is the slow-moving, anaesthetic prose which tricks the reader for a time into sharing John's dulled responses. The novel ends with a brutal demonstration of Rachel's underlying vulnerability, shattering that fragile sense of unreality. Its impact on John, hurrying to Paris to join his lover, completely unaware of the disaster which has overtaken them, is a question Bracewell leaves disturbingly open.



## Wit, wigs, God and sex

Kathy O'Shaughnessy is charmed by the natural voice of Dolly Parton

In the river, the boys notice her breasts and cry "Hallelujah!". This is as it should be, thinks Dolly. "He wouldn't have given them to me", she notes without irony, "if he hadn't wanted people to notice her."

DOLLY: MY LIFE AND OTHER UNFINISHED BUSINESS  
by Dolly Parton  
HarperCollins £16.99, 316 pages

she visited Hollywood and reckoned she would like to substitute H for D. Hollywood now exists, a theme park devoted to herself and her mountain folks' background.

If there is a contradiction between the generic artificiality of the theme park and the authentic culture from which she sprang, it does not touch her.

Similarly, God not only accommodates her sexual freedom, He's right behind her plastic surgery ("I think it's part of God's work in this modern age that we have such wonderfully skilled people and technologies to keep us beautiful").

The biggest contradiction of all, and the great pleasure of this book is the sheer naturalness of this woman's voice. She includes a set of questions she thinks readers would like to ask at the back of the book:

"What do you look like without your hair and make-up?"  
"Like hell!" is the reply. Her wit could not be more direct, and coming as it does from the depths of rhinestones, wigs, and every manner of artifice, it retains both charm and a certain mystery.

The protagonist, John White, has a name which signals the blankness of his existence and his function as a screen, passively waiting for the shadows of more substantial people to fall across it. One of these is his wife, Anne, who left him and their house in Worthing months ago. Anne is, it seems, everything John is not clever, amusing, popular, slightly

## BOOKS

**T**he received wisdom about Carlyle goes as follows: Carlyle, a self-made Scot, a Victorian sage, lived his adult life in Chelsea where the earliest manuscript of his first important work, *The French Revolution*, was used by the maid to light the fire and destroyed. His marriage to Jane Baillie Welsh was never consummated. He is one of the ancestors of fascism. He is unreadable.

Some, but not all, of that is true, and Simon Heffer's judicious biography serves as a corrective. The Carlyles moved to Great Cheyne Row (now 24 Cheyne Row) in 1834 and never lived anywhere else. Yet he was very Scottish. Heffer gives a full account of Carlyle's roots in Ecclefechan, Dumfries and Galloway. (The signpost "birthplace of Carlyle" is one of the first things that catches the eye when driving from the M6 into Scotland.) Carlyle once walked

## Agony of a master

Anthony Curtis on a biography that challenges views of Carlyle

from his home to Edinburgh to enrol at the university; and after his marriage he often went back across the border to see his and his wife's relations.

It was John Stuart Mill's maid who lit the fire with the manuscript of the great work in progress on the French Revolution. Mill had borrowed it to give the author the encouraging reaction he badly needed. Heffer shows how well the two men behaved after the catastrophe, not letting it injure their friendship or their editor-contributor relationship.

It was a deep ideological rift that busted them apart later when their political creeds had matured and they had become polar opposites: rational

utilitarian (Mill), rhetorical authoritarian (Carlyle).

The lack of any sex at all in the marriage is, according to Heffer, not proven: the main source of the

MORAL DESPERADO: A LIFE OF THOMAS CARLYLE  
by Simon Heffer  
Weidenfeld & Nicolson £20, 420 pages

allegation, the novelist Geraldine Jewsbury, is slightly suspect because the relationship between her and Jane was like that between Vita and Virginia Woolf (see the latter's essay "Geraldine and Jane"). But Heffer makes it clear that if it was briefly

consummated, that was all. Jane always remained devoted but, he suggests, did not find being married to Carlyle much fun because her husband's first priority, into which he poured his entire energy and emotional commitment, was his work. She came a long way second. And Jane was not amused by Carlyle's soppy deference to Harriet Ashburton when he had become famous.

Heffer does not attempt to play down the unpalatability to the modern reader of Carlyle's might-is-right outlook. Carlyle believed in slavery and seriously argued the case for it in his essay on "The Nigger Question". He championed Governor Eyre after the

massacre in Jamaica and the South during the Civil War. Hitler had Goebbels read from Carlyle's *Life of Frederick the Great* in the bunker. But to dismiss Carlyle as merely a proto-fascist is far too glib and simple. His attacks on quackery and sham have a continuing relevance, and he can be very witty.

Hence he is not unreadable and certainly should be read if Victorian values are to be understood, but a little of his inflammatory prose, with its over-use of the present tense and double-word couagues, goes a long way.

Heffer re-examines the exact nature of Carlyle's response to the development of the democratic process. His biography certainly does that but it is most memorable as a human document. It sensitively recreates the grinding diurnal round of Carlyle's long life, sparing us none of the agony out of which his masterpieces emerged.

## Myths of tartanry and tushery

Iain Finlayson on the life and work of Scotland's great glamoriser

**A** more than usually long-sighted Scot, Fletcher of Saltoun, remarked that he should not care who made the laws, so long as he could make the ballads. He knew where true power, in the long-term, resided.

Sir Walter Scott, as a Scottish advocate and Sheriff of Selkirkshire, administered the law, but as a poet and novelist he created and largely defined a persistent image of Scotland that even now can make home-grown Scottish writers, thinkers and cultural nationalists weep with embarrassment while Edinburgh haberdashers

the dull reality of his immediate forebears and the cultivation of his heritage as a descendant of Border freebooters. And it is here, perhaps, that the nub of Scott's originality and contrariness lies. Sutherland had gathered a mass of evidence that subtly and devastatingly uncovers Scott's "hypocrisy", but this somewhat misses the point of Scott's character which has been defined in literary terms as the Scottish Antizygzy. Many writers, notably including James Boswell and Hugh MacDiarmid, have suffered from it - and Scott more than most.

Scottish Antizygzy is an ability to hold two conflicting ideas or principles in tandem, run with them, and see absolutely no contradiction in doing so. Scott, the rectitudinous man of law, severe in his service to the Crown, the Union and high Tory principles who would harry and hunt down a poacher as implacably as a supporter of the Reform Bill, was also in his heart a Border raider and never - a hard-hunting, hard-living man living by his wits as a thief and a warrior. Sutherland cites several instances when Scott sailed close to the wind in his complicated commercial and financial dealings, and describes his efforts to maintain a facade of probity and fair dealing. A difficult but not improbable combination for Scott.

**H**e was not alone in his personal myth-making. He recruited the invaluable assistance of his son-in-law, Lockhart, whose biography of Scott is a model of subtle fiction, inspired invention and downright deceit where it comfortably glosses over inconvenient or dull fact to create a more inspiring and heroic figure. Lockhart, the son Scott would have preferred over his own blood, trimmed his sails to his patron's wind, which Sutherland's biography pleasantrily junks.

In his debunking of Scott, Sutherland also tends to deprecate Scott's novels and poetry. It is true that *The Great Unknown* is now all the more unknown because of his massive unreadability. His politics, which pervade the literary work, are an integral part of it, and Scott's motivation - consciously or otherwise - was to redraw Scottish traditions and history; to bolster the Union; to magnify Tory values; and to define Scotland in antiquarian terms that explained and resolved inconvenient attitudes, preserving them in a sort of literary aspic to render them palatable.

This ornamental galantines has fed generations, and still it continues to be sliced fine - not through popular reading of the works, but through a legacy of sentimental Disneyfication of what is now perceived as a tourist-board fiction.

The result is an enduring Scottish Balmorality that can only be fully understood in the context of the secret, personal life of Walter Scott. John Sutherland presents here a convincing portrait of a man whose "enlightened self-interest" would have had little difficulty accommodating itself to the politics and opportunities for self-promotion in Thatcherite Britain.



"Impartiality is incompatible with the use of force": UN troops near Namibia

## The decolonisation man

Edward Mortimer reviews an elegant, challenging look at the modern role of the United Nations

**T**he British state, with unashamed ageism, retires its civil servants at 60. This often seems wasteful, as many of them are then at the height of their powers. But it has the compensating advantage of maintaining a large pool of retired mandarins, free to speak their minds, whose experience can illuminate public debate. Sir Anthony Parsons, who retired from the diplomatic service in 1982 and then did a short stint as foreign affairs adviser to Margaret Thatcher, is one of the least pompous and most engaging of such figures.

In this book he casts the eye of a seasoned practitioner over the current travails of the United Nations, and suggests they are not really as new as they look. His subtitle is slightly misleading: the word "interventions" conjures up a picture of expeditionary forces sent to intervene in conflicts by assisting one of the parties, or by imposing peace on both of them. Only a few of the actions Parsons discusses fit this picture. His theme is the agenda and role of the Security Council, on which he served as Britain's permanent representative from 1979 to 1982.

Received wisdom has it that the UN has been transformed by the end of the cold war, which has liberated all too

council from permanent deadlock between its permanent members, enabling it to act more decisively and in a much wider variety of crises. Parsons disputes this.

Conceding readily that the cold war protagonists kept their mutual relations off the council's agenda, he points out that this did not prevent it from wrestling with a rich menu of crises, almost all related to decolonisation and its aftermath. And the "new agenda", he suggests, is "dominated by the decolonisation of the Russian Empire" while still including many unresolved legacies of European rule in Africa.

Describing himself as "the embodiment of Decolonisation Man," Parsons feels well qualified to comment on the council's alleged new decisiveness. Here too he concedes, with a hint of nostalgia, that it is much easier to get agreement on a Security Council resolution now than it was in his day, when working paper followed working paper, draft resolution followed draft resolution, group and bilateral consultations protracted until the moment of voting at last arrived". But he is surely right to question whether the resulting "torrent" of resolutions is "having any greater effect in the world of reality than did the laboriously achieved trickle of earlier days". The UN, he remarks, all too

justly, has "experienced as many fiascos and failures" in the past two or three years as at any time in its early history.

Passing resolutions may be easier than it was. Acting on them is if anything more difficult, since "it is no longer possible to invoke responsibility for subject peoples or the struggle against international communism in support of domestically unpopular

Parsons' account of past crises is succinct, lucid, and surprisingly readable, being enlivened with personal reminiscence and flashes of mischievous wit. There is a dazzling vignette, for instance, from the 1950s, when Parsons was in the British embassy in Ankara, of the foot, then governor of Cyprus, and of Harold Macmillan, then prime minister. The former asks the Turkish foreign minister "Don't you trust me?" and is told bluntly "No." The latter, after a "long and implacable harangue" about the defects of his peace plan from the same foreign minister, gets up to leave for the airport "within an hour

just as the Turkish government had accepted the plan virtually wholesale."

My favourite item, though, is the one-paragraph review of another diplomat's memoirs which Parsons slips into his chapter on Namibia: "For almost the full eight years of the Reagan presidency, Chester Crocker, the American knight errant in Africa, sought to subdue the Cuban dragon and free the Namibian princess. His quest, accompanied intermittently by his faithful British spouse, followed a zig-zag route through the tangled undergrowth of a forest inhabited by benevolent and malevolent spirits which had to be cajoled, threatened, or bought off. His five hundred-page account, shorn of modesty in the best tradition of the medieval encyclopaist, is indispensable reading for the student of this labyrinthine exercise in decolonisation. It is admittedly heavy going. Stylistically, Mr Crocker lives in that circle of the semantic inferno where slang and jargon commingle. In substance, it is not so much that he fails to see the wood for the trees, rather that he feels obliged to subject each tree to a microscopic examination before continuing his journey through the forest."

Suffice it to say that Sir Anthony's own narrative contrasts with this model in every respect.

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**T**he consensus among historians of the second world war is that the Nazis lagged behind the US and Britain in the race to perfect a nuclear weapon. But according to Philip Henshall, Germany might have been further ahead than is commonly realised.

His theory is that Germany realised it lacked the expertise to build an atomic bomb and instead the Nazis switched to the concept of a less sophisticated, though deadly, weapon based on loading a conventional warhead of radioactive waste into modified V-2 rockets.

On one level, the idea seems crazy. Loading the waste into the rockets would have been

## A Nazi use for nuclear waste

extremely hazardous. Also the contamination of enemy territory by the waste would have given the Germans immense problems assuming they would send in their own troops or administrators afterwards.

But what makes Henshall's idea credible is the sheer scope of his detective work. The book reads like a fascinating scientific whodunit as Henshall, a retired nuclear engineer, provides clues from France, Germany, Japan and the US to support his case.

Henshall's own meticulous inspection of V-2 launch sites in northern France gives weight to his thesis, also the technical drawings of the V-2 which he discovered, buried away in UK government archives. Henshall has also scrutinised records of German wartime research in rocketry and nuclear engineering to pose the possibility that the

The U-234 is known to have been carrying nuclear materials, but the full facts have never been released, owing to the US's continuing reluctance to declassify its West files on nuclear research.

Henshall believes the US may have decided that Germany had also secretly been supplying Japan with nuclear cargo to be carried by Japanese aircraft on bombing missions to the US western seaboard. According to this theory, the US's decision to drop its own nuclear weapons on Japan in July 1945 was prompted at least partly by the knowledge that the country had to be brought to its knees quickly before it could carry out its own terror strikes.

Many writers, armed with such theories, would have written a pot-boiling thriller full of wild ideas and irksome language. It is to Henshall's credit that he has stayed cool and used a restrained and precise writing style to come up with a view of history that might just might - be true.

Peter Marsh

VENGEANCE  
by Philip Henshall  
Alan Sutton Publishing £16.99, 180 pages

F or his second novel, Hanif Kureishi has abandoned much of the sybaritic arrogance that characterised his first and some series.

Well, fairly serious. *Where the Buddha Was Born* was about the 1970s and the suburbs. *The Black Album* is about the 1980s and extremism. Set at the time when a fatwa was issued against Salman Rushdie, this sporadically earnest story tells of young Pakistani student, Shahid, and his vacillations between liberal sensibilities and radical Islam. The title refers to Prince's unreleased, lubricious LP, a yardstick against which to measure Rushdie's contentious *Satanic Verses*.

Sparingly written and carefully plotted, this is a measured and intelligent attempt to respond to the Rushdie death threat. Kureishi seems to

be aiming at a new maturity in style and theme, but his attempts are threatened by the resurgence of the old Hanif, who delights in descriptions of sex, drugs and rock and roll. Well, sex and drugs, at least.

The story begins with Shahid, up from the sticks and newly free of his family, seeking refuge from loneliness among fellow Asian students. But it really gets going once Shahid begins to stake his solitude in a different way with his co-coise tutor, Deedee Osgood, a voluptuous white chick.

While his fellow Moslems take him on vigilante patrols of racist estates, Deedee takes him on an Ecstasy-led tour of sexual experimentation and personal intimacy. Shahid wavers between the two until the Moslems burn a copy of *The Satanic Verses* on campus, forcing a decision on him.

As in Kureishi's previous novel, our hero is a red butted by forces around him. He slips into Islamic brotherhood as easily as he slips between his tutor's inviting sheets. Unfortunately, Kureishi is far more convincing when writing

about Shahid's introduction to heavy drugs than about induction into heavy religion. The passages detailing the growing organisation and fundamentalism of the Moslem student group have a hating, dream-like quality.

There is a sub-plot about Asian assimilation featuring Shahid's wastrel, Thatcherite brother, Chilli. Chilli is thoroughly condemned throughout until he fetches up like a waddled Asian John Wayne to save Shahid with some macho heroics. It is surely not Kureishi's point that one should combat religious extremism with cocaine and knives, but this roister-doistering penultimate scene is symptomatic of a book which, like Shahid, is unsure of its convictions.

This is fair enough: *The Black Album* is more of a cri de coeur at a thorny moral issue than an attempt to provide answers. Kureishi comes down on the side of tolerance, but the statement carries less than the full weight of the book. At the end, the religious threat is stalled and Deedee and Shahid leave us, off for a dirty weekend "until it stops being fun": it is the sign of the old, horny Hanif rearing his hedonistic head again.

Fiction/Nick Curtis

## Radical Islam meets Ecstasy

THE BLACK ALBUM  
by Hanif Kureishi  
Faber & Faber, £14.99 pages

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## ARTS

# Playing its own tune

The strengths of the Philadelphia Orchestra are being regenerated, reports Andrew Clark

**W**ith its arched facade and gilded interior, the Academy of Music in downtown Philadelphia is the very picture of tradition. This is the concert hall where Leopold Stokowski laid foundations for the Philadelphia Orchestra's world renown, where Eugene Ormandy developed "the Philadelphia sound", where Riccardo Muti was idolized by rich local matrons - and where Wolfgang Sawallisch, for the past year and a half, has been quietly building on the orchestra's inbred strengths.

One block away, the site of the orchestra's proposed new home lies empty. The land was bought in the late 1980s, and the orchestra has the perfect target - its centenary in five years' time - for inaugurating a new hall. But the project is in limbo, and a model by the distinguished Philadelphia architect Robert Venturi gathers dust in the Academy's foyer.

Like the city whose name it bears, the Philadelphia Orchestra seems happier contemplating its past than confronting the future. Audiences are mainly white and older-generation in an area where blacks and other minorities are a growing presence. With a faltering local economy, the box-office peaks of the 1980s have not carried over to the 1990s. There are fewer recordings. After decades of stability, the orchestra is struggling to adjust to a changing world.

A new hall would widen the audience and provide an urgently-needed recording venue. The Academy, built as a theatre in 1857, has been dubbed "the worst concert hall of any major orchestra in the world", with an acoustic which

deadens the sound as soon as it crosses the stage apron. Most touring orchestras avoid it, and there are no local alternatives. But older Philadelphians have a sentimental attachment to it, because of its physical beauty and the memories it evokes of Stokowski and Ormandy.

When Muti relinquished the music directorship in 1992, he was known to be frustrated by the slow pace of the campaign for the new hall. "The city lacks long-term vision," says Daniel Webster, music critic of The Philadelphia Inquirer.

"The orchestra is a great institution that deserves to move with the times, but its fund-raising efforts are an embarrassment."

**D**espite these local difficulties, the orchestra has maintained its reputable standard of playing - something Sawallisch and his musicians hope to demonstrate this summer on their first European tour together. Beginning with two Proms appearances in London, they will perform music by Brahms, Strauss and Schumann. In a nod to Philadelphia tradition, Sawallisch will include one of Stokowski's Bach transcriptions, and there will also be a piece by the orchestra's composer in residence, Bernard Rands.

Sawallisch was not an obvious choice for music director.

A 71-year-old Bavarian with an aura of steadiness, he lacked the "exciting" image with which American orchestras like to market themselves. Despite his solid reputation in Europe, he was little-known in the US: since the 1980s his few American appearances had been confined to the Philadelphia Orchestra.

But any doubts were quickly dispelled by the energy and skill with which Sawallisch tackled his new job. Where Muti gave the impression he had never really left Italy, Sawallisch showed respect for local custom and practice. He has bought a home in Philadelphia, proved a dab hand at children's concerts and spent time at the Curtis Institute - the elite conservatoire which provides the orchestra with many of its players.

A single event established his reputation in the wider public eye. When a snowstorm blew up on the day of a Wagner concert in February last year, many musicians were unable to come from the suburbs. Instead of cancelling the concert, Sawallisch volunteered to play the orchestral score from the piano. The doors were thrown open to anyone able to come.

"It was heroic - one of those events which generate enormous publicity and help to personalise a music director," recalls Paul Horsley, the orchestra's staff musicologist. "Philadelphia had been accustomed to a remove between themselves and Muti. Suddenly, Sawallisch was a trooper. He just sat, talked and played, and everyone felt very intimate with him. He was modest about it, but they could see he was a musician to his fingertips. The orchestra feels the same - they're constantly aware of a profound level of competence."

Instead of the glamorous peaks of the Muti era, Sawallisch has provided a plateau of high standards. Local critics detect a return to the sound and central European traditions which Ormandy developed in his 44-year reign. "There's something in Sawallisch that locks into the orchestra's past," says Webster. "Ormandy gave us a constant diet of 19th century classics. Muti brought back some of the 18th century and tried to brighten the sound. With Sawallisch, the old weight and warmth is returning, and he has brought the repertoire up to date."

This season's concerts have included works by Henze, Hindemith, Stravinsky and Schoenberg, plus several contemporary American works - all of which belies Sawallisch's

conservative image. He has programmed lots of Haydn, a composer ignored by most American orchestras; it has proved a tonic for musicians and audiences. Sawallisch is also supervising the biggest change of personnel since the Ormandy era. The orchestra he inherited was noticeably ageing. He has put the emphasis on regeneration.

Sawallisch himself seems to have a new spring in his step. After a lifetime in the opera house, latterly dogged by

administrative and artistic problems in Munich, he has vowed never again to conduct staged opera. There will be some concert performances in Philadelphia, including *Ariadne auf Naxos* in May. His contract runs till 1998, beyond which he has refused to commit himself.

But it is no surprise that he should feel at home with the most European-sounding of the "big five" US orchestras. He says he was always fascinated by the richness of the strings

natural, with a beautiful sonority that works as well for Stravinsky as for Bruckner. I hope we can refine the complete sound a little, make it more elegant, and that's why we're playing so much Haydn. But I don't want them to lose their old habits! That's part of the orchestra's magic mystery.

"For the big works of eastern Europe - Rimsky-Korsakov, Tchaikovsky, Rachmaninov, works often performed by Ormandy - you need this extraordinary intensity in the string sound. It's never forced or harsh - it's absolutely

Cers  
oots  
Hades

**I**t is fair to say that I know less than nothing about rugby. After I had played two weeks of it (aged 9), my family asked me what position I played. "Goalie," I said and I never played it again. Therefore, where others regard John Godber's rugby play *Up'n'Under* as sheer entertainment, it also serves for me a didactic function. It is what Horace said poetry should be at once *duse* and *utile*. Training, anticipation, doubt, panic, bravado, exhilaration: the pass, the scrum, the conversion, the try, male bonding, suspension of private life, team spirit - all these elements of rugby are here onstage. But for many in its audience it is didactic in another way: they come knowing all about rugby, and they leave learning much about theatre.

**G**odber is a theatrical satirist who takes as his subjects the most clichéd institutions of British life: clubbing, school, marriage, sport, and others. His method is to anatomise their sociology and psychology - while telling a story of sorts - and to present his dissection in a vivid and highly economical, theatrical manner that makes maximum use of scenery or costumes and maximum use of his performers. Language is often concentrated, sometimes heightened, always direct. He seems always to hit the target, and to carry his audience with him.

*Up'n'Under* is what you do not expect a rugby play to be: touching.

Too touching, actually. Godber mars his play with arrant sentimentality: the lad is really round to help Arthur win his mortgage. At once this places us in the competitive male climate that underpins rugby: as obsessive and ludicrous and fierce as the poker-playing world recently dramatised in Patrick Marber's *Dealer's Choice*. Yet we see too that rugby, mainly because it is a team sport, brings out camaraderie and supportiveness as well as competitiveness. *Up'n'Under* is what you do not

## Up'n'Under

Alastair Macaulay sees a playwright score sweetly

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*Up'n'Under*'s story starts with a bet between two men.

Reg: "You could never train the Cobblers team in five weeks to beat the Wheatsheaf".

Arthur bets all he has - his mortgage. At once this places us in the competitive male climate that underpins rugby: as obsessive and ludicrous and fierce as the poker-playing world recently dramatised in Patrick Marber's *Dealer's Choice*. Yet we see too that rugby, mainly because it is a team sport, brings out camaraderie and supportiveness as well as competitiveness. *Up'n'Under* is what you do not

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## ARTS

The romantic idea of the genius undiscovered in his garret may be just that, a romantic idea, but common sense tells us that there are always more artists worthy of general recognition than are acknowledged.

György Gordon is now 70. Hungarian by birth, he studied at Budapest in the early 1950s and came to England in the aftermath of the Hungarian Uprising of 1956. He settled at Wakefield, where he took up a post at the art school from which he has at last retired. The career of the artist-teacher, with its creative frustrations and disinterested rewards, is the commonplace of British practice in the visual arts. Many such towns must have their György Gordons.

He is a romantic expressionist painter who has looked somewhat self-consciously to Francis Bacon in his more overtly symbolic and generalised compositions, while evincing, perhaps, a truer sympathy for late Bomberg in the more private and intuitive images. This more personal work is by far the more successful.

Here there is a paradox, for the self-portrait is the motif that runs through all his work, and how can a self-portrait be anything but self-conscious? Yet some are self-dramatising, even self-pitying, and others are not. It is not to make light of the personal experience that may have informed the former, particularly in the earlier work, to point out that the latter are the more poignant and compelling. Any artist is most himself when lost in his work, and Gordon is no exception. Some tendenziously sentimental labels apart, this is an intriguing and deserved retrospective.

Kiki Smith is self-conscious as only the polemical feminist artist can be, and it is only by the self-regarding apologetics of feminist criticism that her work can be justified. Many of these female figures, moulded from life in paper, wax or plaster, are cast portentously in bronze. But the actual modelling of form and surface is vague, perfunctory, uninformed and incurious.

"The body, in Smith's work", runs the catalogue note, "is always in process - just emerging from, or on the verge of slipping back into, inchoate matter... she searches for exceptions to our biological determinism in mythopoetic accounts of women... In 'Peacock' a woman sits on the floor while fanning out behind her on the wall is an enormous peacock tail... the central jewel... formed from delicate drawings of blue vaginas." Actually she is looking sideways



A romantic expressionist: 'Self-Portrait with Window 1' by György Gordon

## Self-conscious portraits

at these recondite motifs, worked on squares of paper to which she is curiously attached by pieces of string, two of which drop from her eyes.

A more modest but infinitely more effective demonstration of the cost of inhabiting the female body is made by Susan Macfarlane, who was invited to work in cancer laboratories, operating theatres and recovery wards in London and Gloucester. Her engagement is with neither the mythopoetic nor

the politics of gender, but with a hard and fearful reality. The simplicity, humour and unsentimental directness of her approach gives her work an added edge.

Occasionally she too slips into self-consciousness. Her nude on an operating table is particularly arch, and her rapid graphic notation verges on the caricature from time to time. But for painterly and technical tricks she commands, the quick image laid over

the variegated gesso grounds and scumbles, merely allow her the more readily to engross herself in the quiet human drama acted out before her.

**William Packer**

György Gordon: National Portrait Gallery, St Martin's Place WC2, until June 25, then Wakefield, a Huddersfield Art Gallery Touring Exhibition; also at the Hart Gallery, 113 Upper Street N1, until April 2. Kiki Smith: Whitechapel Art Gallery, Whitechapel High Street E1, until April 23, supported by the Henry Moore Foundation. A Picture of Health by Susan Macfarlane, Foyer Gallery, the Barbican Centre, Sils Street EC2, until March 25, then national tour; sponsored by Bristol Myers Squibb Pharmaceuticals. JS Pathology and Unilever UK. After Auschwitz, reviewed on Tuesday, is at the Festival Hall.

The news that Radio Scotland is to contribute more to the national - I mean British, therefore multi-national - network is welcome. I have sung the praises of the Caledonians before, though it seems that lately they have sent as much talent south as they keep. Sheena McDonald politely, unstoppably, skewering the Sunday Times for its Michael Foot-KGB story on Radio 4 is just the latest example. Magnus Linklater could do with some of her deadly, courteous thrust, to judge by his relatively ineffectual showing on Radio Scotland against the SNP leader last Sunday. A mini-scandal concerning alleged bugging and the private life of an SNP candidate fell flat before the ferocious Alex Salmond, who is more effective on radio than television where his engaging resemblance to Victor Spinetti makes one take him less seriously than his merits.

In England the sexual tendency is reversed. Last week Radio 4's *Mediumpause* was presented not by Joanna Coles but a male stand-in (though the ineffable Radio Times was unaware of the fact) and the difference was marked: professionalism, the ability to read a

## Radio/Martin Hoyle Men still made of the right stuff

script and conduct an interview. This was as well, since Richard Lambert, the FT's editor, joined a colleague from The Independent to comment on the press treatment of the Barings affair. The papers have reacted along class lines, with the tabloids enjoying the crusty out-of-touch aristos meeting their come-uppance from "nerdy people crossed with barrow boys". The most telling fact, as our man pointed out, was the firm alignment of The Times on the side of cheap populism - complete with thrill-packed heading and picture, mystifyingly, of Peter O'Toole as Lord Jim. The imbroglio's quick resolution has disappointed those hacks who were kitting themselves up for a cruise in south-east Asia. "Even The Independent can afford to send someone to Frankfurt," said the Independent man, regretfully.

*Foreign Postings* has shown that though banking may not be what it was, our men abroad are still made of the right stuff. In a series of the

recent central European upheavals we have heard of ambassadors' wives manning barricades, our chap in West Germany serving hot, sweet British army tea to awe-struck Berlin Wall-crossers, and, last week, the whole ambassadorial family hiding in the cellar during the revolution in Romania. They had whisky bottles (full, one hopes) ready to use as clubs should the Securitate attempt, as rumour had it, to kidnap them. They eventually made it to the only Bucharest embassy with an armed guard: the American one. A happy ending of a sort, I suppose.

This is recognisably the stock from which Saki's characters were finely chiselled. A new series of *The Chronicles of Clovis* seems to understand that H.E. Munro wrote the funniest dialogue of the post-Wilde era. His exquisitely-malicious short stories of socialite Edwardiana, softened by sympathy, for the underdog (children against bullying adults, animals against humans), are masterpieces. Justin Greene's

adaptations are not half bad, especially when inventing the dialogue merely repeated indirectly in the original. Only the casting of the title role lets things down: Mark Tandy

sounds the right class, rare enough with young actors these days, but rattles out his lines at an unwavering speed and in an unvarying near-monotone. Otherwise, the cast quivers with good intentions: John Sessions, Prunella Scales, Samuel West, Angela Thorne... for a lifelong Saki fan the prospect is entrancing. He is a *petit maître* and we should cherish him.

## Television/Christopher Dunkley Focus on sex

Tonight sees the start of *Red Light Zone*, the series which, without any particular effort from Channel 4, has promoted itself by the Benetton method: cause an outcry, get a debate going within the world of issue journalism and, hey presto, lots of publicity for a remarkably low outlay. Spread across eight weeks on Saturday nights, beginning today at 11.05, the season promises to focus on sex, the sex industries and sexual tourism. Programmes will include documentaries and short dramas touching on "pornography, urban prostitution and the growth in erotic entertainment". Presumably the programmes about all that rampant rural prostitution are being withheld.

Today's offerings begin with *NYPD Nude*, a documentary about Carol Shaya, the New York policewoman who modelled for Playboy magazine, and with a repeat of *Chicken Ranch*, the documentary about a famous brothel in the desert near Las Vegas. In between come *The Peanut Club*, a short documentary about a strip club in Los Angeles; *White Jazz*, a documentary about American crime writer James Ellroy; and *Blue*, a 25-minute Canadian drama about a carpet manufacturer who likes soft porn.

Having watched all this apart from *The Peanut Club*, the first thing to be said is that anyone hoping that television was finally going to provide a spot of late night arousal will be disappointed. The implication in Channel 4's phrase "a unique and challenging zone of programming aimed at an adult audience" is really not fulfilled. There is nothing here that could not be watched by an intelligent and open minded 13-year-old. If the opening night is anything to go by, then this season is going to be worthy, not to say po-faced, and concerned overwhelmingly with North America.

*NYPD Nude* serves as a good example of the whole. It is devoted not so much to sex as sexiness politics: does one police-woman posing for Playboy "damage" other police-women and prevent them being "taken seriously", or does she prove that women now have the best of all possible worlds, able to do jobs once regarded as men's while still exploiting male appetites? Actually the second half of that question is not

addressed, but then the programme was made by a woman. Like so many of today's documentaries, it eschews both the reporter and the voice-over, leaving you with the protagonists speaking for themselves, a formula which seems particularly pure until you remember that the producer chose all the protagonists and then chose precisely which bits of their contributions to use.

*White Jazz* has little to do with sex, more to do with murder, and a great deal to do with the inside of James Ellroy's head. It is not immediately clear what it is doing in this season at all. *Blue*, on the other hand, although it, too, has much to do with the inside of someone's head, is concerned almost entirely with sex. This makes for a most unusual piece of work since it is neither an exploitation flick nor a comedy. It is a poignant tale, with a neat twist at the climax, about the masturbation fantasies of a respectable middle-aged man, who dwells upon an old fashioned soft-porn movie.

Next week the evening begins with *Mornington Dairies* in which a band of Bradford prostitutes reveal all (except their bodies) to the cameras: prices in car and out, dressed and undressed; punters' requirements - mostly sad, often weird; reasons for going on the game; relationships with their own men, and so on. Then comes *Scarborough Ahoy!*, yet another drama about an oddly assorted couple spending time out of season in an English seaside town. It is remarkable *chiefly* for the extraordinary professionalism achieved by its creator who are in the running for Student Oscars. The third week begins with *Go-Go Archipelago*, a documentary account of Russian girls undercutting their American sisters in New York go-go joints.

Perhaps one day television will present us with a season that deals with heterosexual relationships not in terms of criminality, exploitation and violence but as one of the few aspects of life which most people find consistently enjoyable.

Chess No 1065: 1... Rb6 2 Rf4 g5 3 Rxg4 Rh4! 4 Rxh4 gxh4 5 Kb3 b6 K4 (6 Kg3 bishop takes e4 winning a piece) Exe4 7 Kxe4 h2 and queens.

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## INTERNATIONAL ARTS GUIDE

**What's on  
in principal  
cities****AMSTERDAM****GALLERIES**

- Amsterdams Historische Tel: (020) 523 1822
- Hunger, Winter and Liberation In Amsterdam: exhibition that marks the changes in Amsterdam during the last months of the second world war and the liberation; to Sep 3
- Jewish Historical Tel: (020) 826 9945
- Taking a Stand: exhibition shows the work of two artists, Ralph Prins and Felix Nussbaum to commemorate the 50th anniversary of the liberation. Nussbaum was killed in Auschwitz and Prins was one of the survivors of the Theresienstadt camp; to May 7
- Rijksmuseum Tel: (020) 673 2121 UKYO-E: Japanese prints; to May 28
- Stedelijk Tel: (020) 5722 6111 Alfa Romeo: The Essence of Beauty: exhibition marking the development and design of Alfa Romeo cars; to Apr 2

**THEATRE**

- Het Muziektheater Tel: (020) 551 89 22 Schoenberg Trilogy: new production of "Die Gluckliche Hand", "Von Heute auf Morgen" and "Erwartung" with David-Wilson Johnson and Isolda Eichlepp. Winfried Mezzewski conducts; 8pm; Mar 11, 14, 16
- Museumplein Tel: (020) 420 0200 Saltimbano: performed by the Canadian troupe Cirque du Soleil involving acrobats, jugglers, pop music and computers; 8.15pm; to Mar 19 (Not Mon)

**BALTIMORE****CONCERTS**

- Symphony Hall Tel: (410) 783 8000 Baltimore Symphony Orchestra: with cellist Mischa Maisky and violinist Dmitry Sitkovetsky. Maximiano Valdes conducts Strauss and Brahms; 8.15pm; Mar 16, 17, 18

**THEATRE**

- Center Stage Tel: (410) 685 3200 Happy End: book and lyrics by Bertolt Brecht, music by Kurt Weill. Irene Lewis directs this adaptation by Michael Feingold set in 1920s Chicago; 7.30pm; to Mar 26

**BARCELONA****GALLERIES**

- Fundacio Joan Miró Tel: (93) 329 19 08 Julian Schnabel: including 30 large format paintings and four monumental sculptures displayed outside the building; to May 14

**BERLIN****GALLERIES**

- Alter Museum Tel: (030) 203 55 00 Munch and Germany: exhibition of early works by Norwegian artist Edward Munch and German artists influenced by him; to Apr 23
- Deutsches Historische Tel: (030) 215020 Art from the GDR 1949-1990: exhibition that looks at politically commissioned art in the German Democratic Republic; to Apr 18
- Pictures and References to German History: exhibition with more than 2,000 paintings, coins, materials and other artefacts; to Dec 1 (Not Sun)
- Neue Nationalgalerie Tel: (030) 2662653 George Groz, Berlin-New York: exhibition of the German Dadaists who emigrated to the US; to Apr 17

**OPERA/BALLET**

- Deutsche Oper Tel: (030) 3419249 □ Die Zauberflöte: by Mozart. Conducted by Lawrence Foster / Sebastian Lang-Lessing / Stefan Soltész and produced by Günter Krämer; 7pm; Mar 13, 15
- Martha oder Der Markt zu Richmond: by Friedrich von Flotow. Premiere conducted by Sebastian Lang-Lessing and produced by Winfried Baumfeld; 7pm; Mar 11, 14, 16
- Tanhäuser: by Wagner. Conducted by Jiri Kout, production by Götz Friedrich; 8pm; Mar 12

**BOLOGNA****OPERA/BALLET**

- Teatro Comunale Tel: (051) 526999 Carmen: by Bizet. A new production directed by Frederico Tizzoli and conducted by García Navarro. Soloists include Elena Zaremba as Carmen and María Bayo as Micaela; 8.30pm; Mar 12 (3.30pm), 14 (3.30pm), 16 (8pm), 18

**FRANKFURT****CONCERTS**

- Alte Oper Tel: (069) 1340 400 □ Flamenco: Ampero de Triana with her group; 8pm; Mar 18
- Radio Symphony Orchestra Frankfurt: with pianist Tzimon Barto, Dmitri Kitajenko conducts Ravel, Gershwin and Mussorgsky; 8pm; Mar 15 (7.30pm), 17

**GALLERIES**

- Arte Gialdi Tel: (069) 97 58 37 88 Le Corbusier: Le Corbusier, famous for his architecture, also produced oil paintings, watercolours, drawings and graphics. This is an exhibition of 40 such works created between 1928 and 1954; to Mar 31

**GENEVA****GALLERIES**

- Art et Histoire Tel: (41) 311 43 88 Icons: the Mavromichalis



Barbara Hendricks in concert in Paris

- Bayerische Staatsoper Tel: (089) 22 13 16
- Bayerischen Staatsorchester: Peter Schneider directs Off's "Antigones"; 8pm; Mar 13, 14
- Evening of Songs with Cecilia Bartoli and pianist Myung-Whun Chung. Includes pieces by Bizet, Delibes and Ravel; 8pm; Mar 16

**GALLERIES**

- Bayreuthisches Tel: (0 89) 211 24 216 The Golden Knight: an example of medieval goldsmith's work from Paris; to Apr 20
- Haus der Kunst Deutsche Romantik: previously on show in London, this exhibition has created much discussion in Germany. It examines the work of early German Romantic painters and their cultural and political impact on later German artists; to May 1

**OPERA/BALLET**

- Bayerische Staatsoper Tel: (089) 22 13 16
- Der Junge Lord: by Hans Werner Henze. A new production by Günter Krämer and conducted by Dennis Russell Davies; 7pm; Mar 12
- Don Giovanni: by Mozart, in Italian. A new production by Nicholas Hytner with conductor Hans Drewarz; 7pm; Mar 11, 18
- Il Trovatore: by Verdi. Conducted by Miguel Gomez Martinez, produced by Luca Ronconi. In Italian; 7pm; Mar 15, 17

**NEW YORK**

- CONCERTS
- Avery Fisher Tel: (212) 875 5030 New York Philharmonic: Valery Gergiev conducts Lisicki, Beriozov and Tchailovsky; 8pm; Mar 11, 14
- New York Philharmonic with soprano Gillian Webster, Sir Colin Davis conducts Mozart and Mahler; 8pm; Mar 16, 17 (2pm), 18
- The London Philharmonic: Frank Welser-Möst conducts Shostakovich and Strauss; 8pm; Mar 12
- The London Philharmonic plays Mozart, Bartók and Tchaikovsky; 8pm; Mar 13

- Carnegie Hall Tel: (212) 247 7800 Yuri Bashmet: debut at this venue for the violinist recently named "Instrumentalist of the Year" at the 1994 International Classical Music Awards. He is joined by pianist Mikhail Muntan to play Mendelssohn and Shostakovich; 8pm; Mar 14

**GALLERIES**

- Museum of Modern Art Tel: (212) 708 9480 Kandinsky: Compositions: exhibition featuring approximately forty works including seven of the surviving "Composition" paintings; to Apr 25

- Whitney Museum Franz Kline: Black and White 1950-61: major Abstract Expressionist works from the last decade of the artist's life; to Mar 12

**OPERA/BALLET**

- Metropolitan Tel: (212) 362 6000 Idomeneo: by Mozart. Produced by Jean Pierre Ponnelle, conducted by James Levine; 8pm; Mar 15, 18

- La Bohème: by Puccini. Produced by Franco Zeffirelli, conducted by John Fiore; 8pm; Mar 11, 14, 18 (1.30pm)

- La Traviata: by Verdi. Produced by Franco Zeffirelli, conducted by John Fiore; 8pm; Mar 13, 17

- Simon Boccanegra: by Verdi. New production directed by Giancarlo del Monaco; 8pm; Mar 11 (1.30pm), 16

- New York City Opera Tel: (212) 307 4100 La Traviata: by Verdi. A new production conducted by Yves Abel and directed by Renate Scotti. Soloists include Janice Hall / Oksana Krovitska and Stephen Mark Brown / Richard Drews

**THEATRE**

- Circle in the Square Tel: (212) 239 6200 Uncle Vanya: by Chekhov. Cast includes Tom Courtenay, Amanda Donohoe and James Fox; 8pm

- Joseph Papp Public Theatre Tel: (212) 598 7150 The Merchant of Venice: by Shakespeare. Directed by Barry Edelstein. Ron Leibman plays Shylock; 8pm (Not Sun)

- Roundabout Theatre Company Tel: (212) 869 8400 The School for Husbands/The Imaginary Cuckold: by Molière. Michael Langham directs Richard Wilbur's translation and stars Brian Bedford; 8pm to Mar 17 (Not Mon)

- Variety Arts Tel: (212) 239 6200 Death Defying Acts: three one act plays by Woody Allen, David Mamet and Elaine May. Directed by Michael Blakemore and with Linda Lavin, Debra Monk and Paul Guilfoyle; 8pm (Not Mon)

**LOS ANGELES****CONCERTS**

- Dorothy Chandler Pavilion Fleisher Plays Ravel: with pianist Leon Fleisher and mezzo-soprano Carmella Jones. Lawrence Foster conducts Steiger, Falla and Ravel's "Piano Concerto in D"; 8pm; Mar 11, 12 (3.30pm)

- Los Angeles Philharmonic: with pianist Christian Zacharias. Lawrence Foster conducts Shostakovsky, Mozart and Mendelssohn; 8pm; Mar 17, 18

**GALLERIES**

- County Museum Tel: (213) 857 6000 American Impressionism and Realism: The Painting of Modern Life. Turn-of-the-century American painting including works by John Singer Sargent, Mary Cassatt and Childe Hassam; from Mar 12 to May 24

**MADRID****GALLERIES**

- Fundación Juan March Tel: (91) 435 48 40/45 42 40 Klimt-Kokoschka-Schiele: exhibition of 35 works by the three Viennese artists; to May 21

- Prado Tel: (91) 420 28 36 Sébastiano del Piombo: Venetian born artist of the Italian Renaissance. This exhibition explores his influence on Spanish painting during the 16th and 17th centuries; to Apr 30

- Serpentine Tel: (0171) 402 0343 Man Ray: exhibition of works by the celebrated artist; to Mar 12

- Reina Sofia Tel: (91) 468 30 02 Dali: the early years; to Jun 16

**PARIS****CONCERTS**

- Champs Elysées Tel: (1) 49 52 50

- Barbara Hendricks: soprano is joined by pianist Michael Tilson Thomas to play Mahler, Wolf and Copland; 8pm; Mar 12

- Beaux Arts Trio: plays Beethoven; 8.30pm; Mar 14

- London Symphony Orchestra: with violinist Anne-Sophie Mutter and soprano Laura Alkin. Pierre Boulez conducts Berg and Stravinsky; 8.30pm; Mar 11

- LSO: with violinist Kyung-Wha Chung and under the direction of Pinhas Zukerman. Boulez plays Ravel and Bartók; 8.30pm; Mar 13

- Galerie Schmitz Tel: (1) 4260 3636 From Delacroix to Matisse: exhibition including works of Delacroix, Matisse, Picasso and Degas; to Apr 13

- Georges-Pompidou Tel: (1) 4277 1233 Brassai: works by the French photographer; to Apr 3 (Not Sun)

**MUNICH****CONCERTS**

- Louise Bourgeois: retrospective of drawings; to Apr 17
- Musée d'Art Moderne, Ville de Paris Tel: (1) 4723 6127 André Derain: 350 works spanning his entire career; to Mar 19 (Not Mon)

**OPERA/BALLET**

- Opéra National de Paris, Bastille Tel: (1) 4742 5750 Magnificat: music by Bach, choreography by John Neumeier. Gunther Richter Muhibah directs this production presented by the Ballet of the National Opera of Paris; 7.30pm; Mar 11, 17, 18

- The Masked Ball: by Verdi. Conducted by Antonello Allemandi and produced by Nicolas Joël. Soloists include Gergiev Grigorov and Gaëtan Lapierre; 7.30pm; Mar 16

**THE HAGUE****GALLERIES**

- Gemeentemuseum Tel: (070) 338 6111 Piet Mondrian: exhibition of 147 works on the 50th anniversary of the artist's death; to Apr 30

- Paleis Palets Lange Voorhout Tel: (070) 338 1111

- Piet Mondrian (1870-1944): paintings and drawings by the Amsterdam born painter on the 50th anniversary of his death; to Apr 30

- Russian Avants-Garde: over 70 works from the Abram Chudakov collection that includes work by Malevich and Larionov; to Apr 23

**NEW YORK****CONCERTS**

- Avery Fisher Tel: (212) 875 5030

- New York Philharmonic: Valery Gergiev conducts Lisicki, Beriozov and Tchailovsky; 8pm; Mar 11, 14, 17

- New York Philharmonic: Frank Welser-Möst conducts Shostakovich and Strauss; 8pm; Mar 12

- The London Philharmonic plays Mozart, Bartók and Tchaikovsky; 8pm; Mar 13

**WASHINGTON****CONCERTS**

- Kennedy Centre Tel



Peter Aspden

## Dangerous joy of skewered brains

At any moment, in any ring, a boxer could die. That is the whole point of the sport

**S**ome years ago, I was at the tail-end of a particularly languorous lunch with friends at a favourite Greek restaurant - the owner staring at his watch, the rest of us counting the stars on the Metaxa bottle with a sense of achievement - when a remarkable trio of men walked in. Their Latin good looks, sharpness of suit and generally louche demeanour were noteworthy enough in this nondescript part of London; but their behaviour was even stranger. No sooner had two of the men sat down than the oldest, shortest and sharpest of the three, entered into detailed negotiations with the exasperated restaurateur over what "the boys" could eat at this time of day.

The emphasis seemed to be on "meat" - and plenty of it. A waiter promptly appeared with a mountain of freshly-barbecued lamb and pints of orange juice. My friends and I speculated wildly, concluding that a Colombian drug baron had taken a wrong turning somewhere in Miami and his towering bodyguards were, well, hungry.

The truth was no less bizarre. For later that evening, I was casually watching on television the latest fight of a British boxer who enjoyed the nickname "The Dark Destroyer" when his opponent, a "highly promising" South American, suddenly looked very familiar to me.

You can guess the rest. Within a couple of rounds, our highly prom-

ising contender was moving with all the grace of the doner kebab he had wolfed down a few hours earlier. Moments later, he was eating canvas. His short, sharp manager put a comforting arm around him.

That story always comes back to me when I hear managers, promoters and boxing apologists in general explaining how "well-prepared" their boys are for a bout. How exactly does one prepare for a brain-pummelling? Gerald McClellan was, by all accounts, as ready as you can get, but he still lies inert in a hospital bed.

We must drop the pretence that if only we try hard enough, through better refereeing, better medical support, better matching, we can make boxing "safe". We

cannot and it is not. The naked violence of boxing eters in the most dramatic way for the bloodlust which is so clearly part of our human make-up. There are more stylised forms of entertainment which cater for this need - Arnold Schwarzenegger movies, bullfighting, all physical contact sports - but boxing is the real thing. That is why it is more thrilling and more revolting.

Just a week after McClellan's defeat came the appearance of another great British hope, Naseem Hamed, he of the sleepy eyes, wacky ringwear and devastatingly quick hands. He made short work indeed of his opponent; but we all had time to watch a "super slo-mo" replay of a right

uppercut thrown in the first round which visibly crunched the face of his Argentine challenger. While all around were doing their best to be "sensitive" and "respectful" in honour of McClellan, good old super slo-mo gave the game away. What happened to McClellan can happen again in any ring, at any time, in any place.

The debate over the ethics of boxing, like those action replays, will keep bobbing up, maybe a couple of times a year, until the end of time itself. It arouses passionate argument because it is truly difficult for us to come to terms with our sadism, our enjoyment of watching blows thumped and blood shed. It was difficult for the ancient Greeks, who leavened their

## Futures and feathers

**A** is from the East side of New York. I've known him for nearly 20 years and during that time he's never made a statement that hasn't ended with a question. His words hit you like machine gun bullets.

"So you're asking me how business is?" he says, his neck disappearing into his shoulders, his arms lifting in a gesture of despair. "You really want to know? How do you think business is?"

Al is in the feather business. He roams the world looking for stuffing for quilts, for ski gloves, for jackets. Duck down is his speciality. While I was in Singapore reporting on the Barings business last week, he was there too on his way to Burma, looking for feathers.

Al has been chasing ducks and their feathers so long he walks like one. He came waddling along the tow path by the Singapore river, sweating in his unsuitable dark suit with his trousers riding. New York style, half way up his calves.

"So whadya make of all this business?"

It's the first volley in a barrage of thoughts on the Barings saga. Al is not a man normally given to magnanimity. But he feels that his fellow entrepreneurs are being treated unfairly. He sees a certain affinity between the futures trader and the lonely feather merchant.

"Do you know who those guys in New York blame when things go wrong?" Al places a firm finger on his wet forehead.

"Do you know who gets the credit when I close a big deal? Would you believe that it is not Al, but those guys?" Al points a big thumb over his shoulder in the direction of New York.

"It's the same now isn't it? I mean you have this guy here raking in the cash and everyone back home is sitting on their pin-striped whatnots and saying 'Jolly good show.'

**When the proverbial hits the fan, everyone's run for cover, haven't they'**

what." (Here, Al gives an appalling impression of what he perceives to be an English upper class accent.)

"Then the proverbial hits the fan and where is everybody? They've all run for cover haven't they?"

Al says that both feathers and futures get a bad press. People don't understand the business. So they think the merchants are up to no good when all they are doing is trying to make a decent living. And that's hard enough, let me tell you.

I remind Al of our first meeting - at the Canton trade fair in China in 1976. Mao had just died. A few businessmen were being allowed back into China. The western world had gone crazy for anything stuffed with high quality duck down. If you didn't have a duck down jacket or quilt you were not at the races.

The trouble was that duck down was in short supply - except in China, where millions of ducks were wandering through the rice paddies. Al arrived to do the deal of a lifetime.

But things went wrong. The Chinese were selling on a first-come first-served basis. That meant that whichever merchant reached the feather official in the trade complex first could buy up the lot and make a fortune.

Al and his rival feather men stood at the trade fair opening ceremony, looked down on by stern portraits of Lenin, Engels, Stalin and Mao. The Internationale was played.

The ribbon was cut and the leather brigade was flying. At first they waddled along. Then they changed to speed walking, finally they broke into an awkward run, looking like frantic farmyard geese.

But Al made a ghastly error. His glasses steamed over from the exertion of it all as he thought he would take a short cut. But he did not see the goldfish pond. His fat little legs walked on water for an instant before he dropped into the brackish pond.

Al thrashed round for a while, uttered a few expletives at the fast-disappearing band of feather merchants and then just sat there - a watery, miserable heap. I and a few others fished him out. It is the sort of experience that makes for friendship.

"Do I know how this futures trader feels? Do I know? One minute you're the bright-eyed boy and next you're nothing, with everyone laughing or screaming at you! It's the same as back in Canton - you've just got to pick yourself up again, haven't you?" says Al.

Al's verbal guns fall silent for a moment. It is like the lull in a bitterly fought battle. We stare at the murky waters of the Singapore river. Al can be relied on to look on the dark side of life. But between Canton 20 years ago and now he has still managed to sell enough feathers to buy a flat in Manhattan, a home update and send three children to blue chip colleges.

"Do you know what I think?" says Al. "Feathers, futures. It's all the same isn't it? The world does not respect us traders any more, so what do you do? What do you do?"

Kieran Cooke



Tony Andrews

## Private View Plotting the errors of English ways

Christian Tyler meets Lord Roll, co-president of S.G. Warburg

**A**t an age when most men are thanking God for each new day of life, Lord Roll is still going into the office.

"I find coming here, still being part of the machine, very conducive to keeping going," he explained.

"Remember what Churchill is supposed to have said, 'When I get up in the morning I pick up The Times and look at the obituary column. And if my name isn't in it, I carry on.'"

What Lord Roll does not say is that he is also subject to some peer pressure. His co-president of S.G. Warburg, the 90-year-old Henry Grunfeld, a joint founder of the merchant bank, also goes into the office each day - or did until pre-

vented by a recent illness. Their view from the top floor of Warburg's office near Finsbury Square in the City of London is not too pleasant these days, what with the recent travails of the bank culminating in the removal of chief executive Lord Cairns, and the ignominious collapse of Barings, its blue-blooded rival.

Yet Lord Roll is sanguine, even cheerful. It would be easy to say that at the age of 87 he has little choice. But his kind of equanimity runs deeper. It is part of a temperament which prompted J.K. Galbraith, the eminent American economist, to declare that Eric Roll was the most accomplished negotiator in public affairs of the last 50 years, ahead of Jean Monnet, Henry Kissinger and Andrei Gromyko.

Lord Roll has written a book, judiciously titled *Where Did We Go Wrong?*, in which he reflects on the causes of Britain's relative post-war decline. He says judiciously because although he identifies a number of economic policy errors since the second world war, he hedges his bets as to the underlying reason for those mistakes.

The English - and not only the English - love to be told how their country is going to the dogs. So they will be disappointed to find that even an outsider like Eric Roll (he was born in Novoselitsa, near Czernowitz, a region of the Austro-Hungarian empire which is now part of the Ukraine) can be as cagey as any other mandarin.

Following a red-brick introduction to English life, Lord Roll quickly rose to the highest ranks of that courteous club, the Establishment, via three glittering careers, as academic economist, diplomat and merchant banker.

He was professor of economics at Hull at the age of 27 and wrote his classic *A History of Economic Thought*, at 29 (the first draft was finished in six weeks). He worked in

**Post-war politicians began with folie de grandeur then relapsed into hesitancy and ambivalence**

1950s, the perennial ducking of European Community membership and, most recently, the exchange rate mechanism debacle.

Lord Roll dismisses one popular explanation for the UK's decline - that the best brains have consistently deserted the manufacturing industry in order to play the country gentleman amid "the extravagance of Ascot".

The family of his wife, Freda Taylor, had built up a boilerworks in West Yorkshire, he said, and such people did not lose their appetite for business just by donning top hats.

"For example, I see no evidence that the yuppie generation, who made a tremendous amount of money in no time at all and have spent it on having two Legendas - or whatever they go in for - a house in Gloucestershire and a villa on the Riviera, have become less concerned with making money than they were before. On the contrary, I find they are greedier than ever, if you want to put it that way."

Should we then blame the old-fashioned gentrified generalists, the mandarins who advised successive post-war governments?

On the contrary, said Lord Roll. "I was never aware of high officials trimming their advice so as to particularly please their minister or for ideological reasons."

The danger, he said, was a pres-

ent one: that the civil service was losing the independence conferred on it by the Northcote-Trevelyan reforms of the mid-19th century and was turning into a cabal of "courtiers" and "whisperers".

He said: "As the economic debate becomes more acerbic and more politicised it is more difficult for the adviser not to succumb. This is something I wanted to warn against in my book."

What were Britain's errors? Among them, he says, was rejoining the gold standard in 1925, overestimating Britain's economic strength after the second world war, deciding not to devalue in the early

1950s, the perennial ducking of European Community membership and, most recently, the exchange rate mechanism debacle.

Lord Roll dismisses one popular explanation for the UK's decline - that the best brains have consistently deserted the manufacturing industry in order to play the country gentleman amid "the extravagance of Ascot".

The miners were beaten. But we have lost the valid interlocutor", as the French say. What is going to happen about the nurses? The state is still a very large employer and cannot in my view do without a valid interlocutor at the other side of the table."

"Oh, I wouldn't like to conclude that. We still have, in spite of all our troubles, some assets. There are some good stories around. It's just a question of mobilising these forces and putting the emphasis on the good points and not wasting time on useless ideological and doctrinal battles."

"Maybe it isn't so much a question of one great revolution but rather a sort of unwritten political agreement that there is an area of economic policy in which you don't cut each other's throat. But I certainly don't think we are unmannerly."

"We still won't, in spite of all our troubles, some assets. There are some good stories around. It's just a question of mobilising these forces and putting the emphasis on the good points and not wasting time on useless ideological and doctrinal battles."

"Are you saying we haven't had a statesman since the war?"

"Well that's a big thing to say,

but I'm terribly tempted to say it,

geable. What I've written about Britain could easily be written about many other countries."

Has economics failed us, or economists?

"I think a bit of both. It's not so much that economists have failed us, but after all these years I have come to the conclusion that one mustn't expect too much of economics."

Classical, or neo-classical, economics supplied "a few simple and valid tenets" about the everyday behaviour of homo economicus.

Many of the Keynesian conclusions about fiscal and monetary policy were also valid.

"But the predictive power of economics, the power to say what stimuli will produce what results is very small, in my view. So one must not blame economics if one accepts the fact that its powers are limited."

"Now, with economists it's a very different story. I think economists have to some extent failed us in claiming too much. Secondly - and some day I want to study this more - the trend in modern economics to 'rational expectations', to an excessive use of mathematics, bears little relation to the problems of statesmen or entrepreneurs."

What distinguishes the paper, however, is that it is prepared to attack the disaster industry head-on. It takes the view that the world is quite bad enough without encouraging the proliferation of individuals, associations, charities, pressure groups and television programmes to tell us it is even worse than we think.

It may be the role of the smaller countries in Europe to keep a sense of perspective. If you want to remain calm and unworried, they provide comforting refugees.

Luxembourg offers much to those in a nervous disposition. Last Monday it published a large front-page box stoically headed, "The Copenhagen Social Summit opens without great enthusiasm". The main news of the day was succinctly told in the headline above a story from Rome: "Fate of the Dini government uncertain".

Countries with undramatic histories have an undramatic view of events. Or maybe it is the other way round.

■ James Morgan is economics correspondent of the BBC World Service.

whom the quantity of words is more important than their quality. Summits promote editorial denunciations, sermons, threats and vast expense claims. This week's World Summit for Social Development in Copenhagen gets near to promising wealth in our time and not only for freelance reporters. It has dealt with vital issues in a million words. It has been, in other words, the ideal occasion for the German papers.

The *Süddeutsche Zeitung* made the most of the opportunity, stressing it was doomed from the outset. "There are those who say that the most important thing about this conference is that it is taking place at all, that poverty and inequality between North and South for the first time provide a theme at the global level. That is worth consid-

ering, but false. Those who argue thus start from the view that governments face the basic problem... of arming the bomb disposal experts of all nations to defuse the social bomb. That is, however, not the case. "Whoever has the courage to demand a change of thought has not enough influence. But whoever has influence in Copenhagen has not sufficient courage to admit the failure of the world in face of social catastrophe and of their own importance before the enormity of the task."

This is not everybody's cup of tea really enjoyed reading, and writing.

If Hegel wrote editorials for the *Guardian* they would be like that, but, in his absence, the British suffer for a certain cultural deprivation

seems to have good reason to look confidently towards the future.

Most of those countries which

lived under the foreign yoke at the end of the second world war have achieved freedom and self-determination.

The Swiss are different again. There may be those who think Swiss Germans are sort of Germans. The *Neue Zürcher Zeitung* again proves them wrong.

Although it is as addicted to telling people how they should behave as any German paper, it does this on the basis of hard fact.

And hard facts appear to prove the Social Development Summit is a waste of time. At least that is the inference one drew from the masterly opening words of its communiqué on the event. "Whoever cares about the welfare of mankind and, as a result, examines the scale of political, social and economic development of the past 50 years,

is likely to find that the NZZ fails to spell something out in detail."

What distinguishes the paper, however, is that it is prepared to attack the disaster industry head-on. It takes the view that the world is quite bad enough without encouraging the proliferation of individuals, associations, charities, pressure groups and television programmes to tell us it is even worse than we think.

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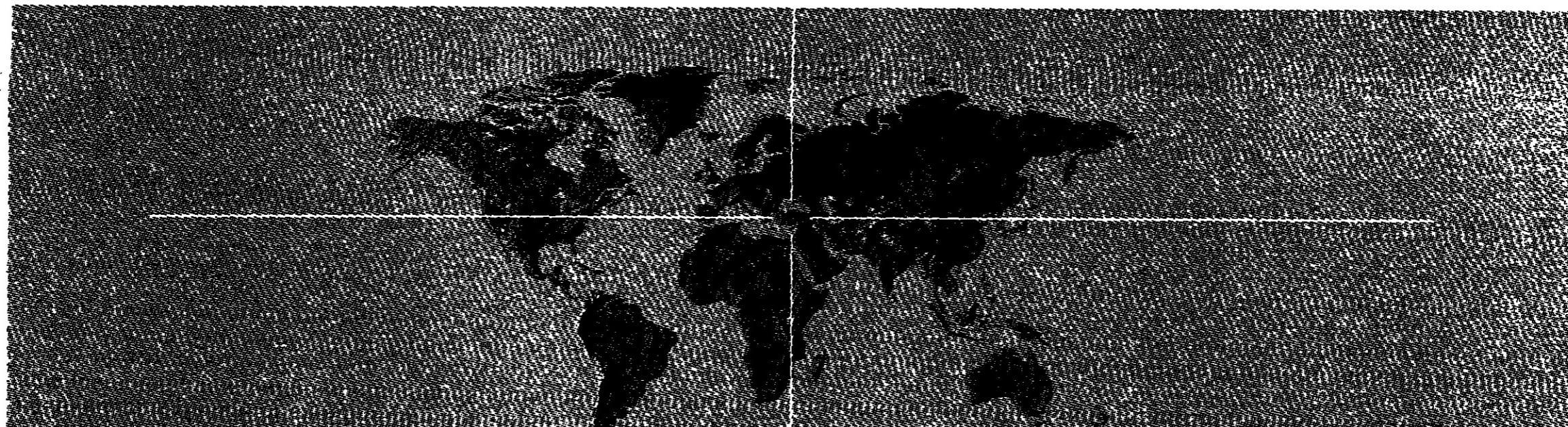
Luxembourg offers much to those

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# Turkey is not the center of the world ...It's just located there.



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**ITALIAN PACKAGING MACHINERY INDUSTRY**

*The Italian packaging machinery industry: a world leader with growing shares in the market, thanks to its traditional success in satisfying market demands, while providing personalised solutions*

**THE REASONS OF A LEADERSHIP**

Italian packaging machines are in use in over 150 countries, mostly in European markets, the U.S. and Japan, as well as in the newly industrialised countries of Asia. Also of special importance is the use of Italian machines in countries striving to improve their living standards, from the CIS to the other nations of East and Central Europe, as well as China, Latin America and the more developed industrial regions of Africa. Today one out of four packaging machines on the international market is made in Italy.

**A successful tradition.** The reasons for this success can be traced within its historical and geographical roots. The first businesses were formed in Bologna at the beginning of the 19th century. As true pioneers, the first industries were well ahead of their time in identifying two fundamental demands of the market: the strategic importance of packaging in the market of products of large consumption; and the need to adapt packaging machines to fit the particular requirements of each customer.

**ITALIAN PACKAGING MACHINERY: NON STOP GROWTH.**

"We can look at the future very optimistically", said Mr. Giancarlo De Martis, president of UCIMA (the association representing Italian packaging machinery manufacturers).

In 1993 over 300 companies producing packaging machinery in Italy registered a growth in export of 35% compared to the previous year, and the impact of sales on turnover increased from 69.3% to 81%.

"While other countries such as Germany, France and Switzerland reported a decrease in terms of turnover - said Mr. De Martis - the Italian packaging machinery industry seems to be launched towards a continuous growth. With no doubt the readjustment of Lira has been helpful, but the most important role in such a success has certainly been played by the pursuit of a policy of high technology and customer satisfaction".

**An in-depth look.** Export in 1993 represented 81.9% of the total production of Italian packaging machinery and in the same year balance of trade registered over 1.3 billion dollars (about 70.7% of the total turnover).

Obviously the EC is the primary market for Italian packaging machinery export with a share of 39.2% and with a growth rate in 1993 of 20.4% compared to 1992. The German market remains the most important (+13.1%), followed by the U.S., France, UK, and Spain.

Export also increased in the Eastern European market (particularly in Poland and CIS) in Latin America (particularly Mexico, Argentina, Chile and Brazil), China and South East Asia.

**Trade balance with major partners (value in million U.S. dollars)**

Italian Export to:	%	Balance '93
Germany	172	10.30%
U.S.A.	160	9.59%
France	153	9.17%
United Kingdom	127	7.61%
Spain	72	4.31%
Japan	65	3.89%
Switzerland	50	3.00%
Netherlands	23	1.38%
Austria	18	1.08%
Sweden	14	0.84%
Other countries	815	48.83%
Total	1669	100.00%
		1449

Source: UCIMA - The Italian Packaging Machinery Manufacturers' Association - Economic Studies Bureau

**Customisation.** On the basis of this tradition, the Italian-packaging machinery firms offer a complete range of products on the world market. The systems and the machines they plan are tailor-made to fit specific customer needs, using innovative technology and new materials at every level of the production process. Furthermore, the highest levels of service are guaranteed by a continuous and stable contact between producers and customers.

**Non-stop research.** The major part of the people working in the Italian packaging machinery sector is employed in research, development and maintenance.

They work on two fronts. On one side they develop an increasing number of complete and automated lines. On the other side they create user-friendly machinery which requires less maintenance and can be integrated into the users already-existing production and inspection systems. According to a survey carried out by the Harvard Business School, Italian packaging machinery is an "happy combination of artistry and technology".

**Competition and competitiveness.** The Italian packaging machinery sector is mainly composed of small and medium sized companies. So competition is very

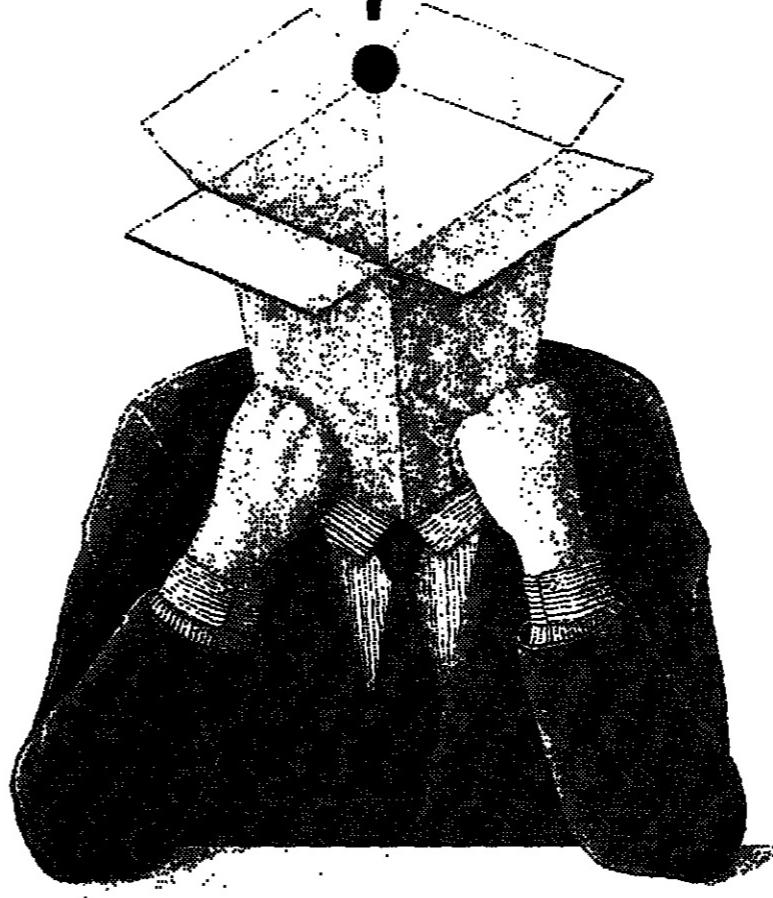
strong and represents a continuous stimulation for the improvement and innovation in products and services: customer orientation, flexibility and good quality-price ratio. This is the basis for the competitiveness of the sector on the worldwide market.

Such a simple and, at the same time, sophisticated structure quickly became a strong success factor when Italian entrepreneurs began to cross over the frontiers.

Export has become so important that Italian packaging machinery industry is going to achieve a position of leadership on worldwide market.

Source: UCIMA - The Italian Packaging Machinery Manufacturers' Association - Economic Studies Bureau

	1992	1993	△ % 93/92
Turnover	1,621	1,824	+ 12.5
Export	1,123	1,494	+ 33.0
Deliveries on the Internal market	498	330	- 33.6
Import	178	203	+ 14.3
Domestic consumption	676	534	- 21.0
Trade balance	945	1,290	+ 36.5
Import / Domestic consumption	26.3	38.1	
Export / Turnover	69.3	81.9	

**PACKAGING ? PROBLEMS****CALL ITALY FIRST**

Whenever packaging becomes a problem, calling Italian industries and experts becomes a must! Italian manufacturers are indeed at the top in terms of technology, quality, efficiency and ability to offer a personalized solution. One fourth of packaging machinery in the world is Italian made because its industry stands out internationally for its ability to meet the specialized need of manufacturers all over the world. The highest technologies and the ingenuity of craftsmanship make Italian industries the ideal partners in finding the best packaging solutions. Yes, the world over!

Ask for free catalogue containing all details of Italian machinery producers to the following addresses:

**UCIMA**

The Italian Packaging Machinery Manufacturers' Association  
Central Office  
Corso Sempione, 4  
20145 Milano  
Tel. (+39/2) 33611557  
Fax (+39/2) 3450647



**UCIMA - THE ITALIAN PACKAGING MACHINERY MANUFACTURERS' ASSOCIATION**

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Tel. (+525) 5251640/44 - 5111394  
Fax (+525) 2088476 - 5140955

Far East Office  
Hong Kong  
c/o GCI Hong Kong  
33 rd Floor - Manulife Tower - 169, Electric Road  
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Van Global Bond	BP1339 1.069
Van Global Bond	BP1340 1.069
Van Global Bond	BP1

LUXEMBOURG (REGULATED) (\*)

		Selling Price	Buying Price
<b>Aetna International Umbrella Fund (A)</b>			
Growth Funds			
American Equity	\$81.01	-	-0.01
Asian Equity	\$115.59	-	-0.05
Euro-Pacific Equity	\$182.45	-	-0.02
European Equity	\$163.00	-	-0.02
Japanese Equity	\$100.99	-	-0.01
UK Equity	\$27.54	-	-0.01
Income and Growth Funds			
American Inc & Growth	\$81.24	-	-0.01
European Inc & Growth	\$77.30	-	-0.01
Latin American Inc & G&D	\$51.51	-	-0.11
Pac Basin Inc & Growth	\$27.17	-	-0.01
UK Inc & Growth			
Bonds			
Corporate S Bonds	\$464.95	-	+0.01
Corporate S Bond	C\$610.95	-	+0.01
Corporate Bonds	C\$464.95	-	+0.01
Mortg Exch Corp Bond	\$25.17	-	-0.01
Short Term Bond	\$65.11	-	-0.03
U.S. Corp Bond			
Yan Bond			
Liquid Reserve Fund			
DeutscheMarkt Fund	DME 1.05	-	-
Euro Fund	24.24	-	-
Euro Short Term Fund	25.11	-	-
US Divers Fund	14.63	-	-
You Reserve			
Price quotes are 'X' shares			
<b>Alliance Capital</b>			
Growth			
Alliance A	\$111.55	12.67	-0.01
American S	\$111.55	-	-0.02
American C2	\$111.55	12.03	-0.02
Developing Region Fund	\$111.55	-	-0.02
Developing Regional Fund C2	\$111.55	-	-0.02
Developing Region Fund E	\$111.55	-	-0.02
Health Care A	\$102.00	83.42	-0.01
Health Care B	\$102.00	83.42	-0.01
Global Commodity Fund	\$111.55	-	-0.02
Global Commodity Fund E	\$111.55	-	-0.02
Global Tech Fund	\$111.55	-	-0.02
Global Tech Fund E	\$111.55	-	-0.02
Global Telecom Fund	\$111.55	-	-0.02
Global Telecom Fund E	\$111.55	-	-0.02
Global Technology Fund	\$111.55	-	-0.02
Global Technology Fund E	\$111.55	-	-0.02
Global Utilities Fund	\$111.55	-	-0.02
Global Utilities Fund E	\$111.55	-	-0.02
Global Utilities Fund S	\$111.55	-	-0.02
Global Utilities Fund SE	\$111.55	-	-0.02
Global Utilities Fund S2	\$111.55	-	-0.02
Global Utilities Fund S3	\$111.55	-	-0.02
Global Utilities Fund S4	\$111.55	-	-0.02
Global Utilities Fund S5	\$111.55	-	-0.02
Global Utilities Fund S6	\$111.55	-	-0.02
Global Utilities Fund S7	\$111.55	-	-0.02
Global Utilities Fund S8	\$111.55	-	-0.02
Global Utilities Fund S9	\$111.55	-	-0.02
Global Utilities Fund S10	\$111.55	-	-0.02
Income			
American Income A	\$77.81	8.33	-0.01
American Income B	\$77.81	-	-0.01
American Income C	\$77.81	-	-0.01
Short Maturity S Portfolio A	\$77.81	10.53	-0.01
Short Maturity S Portfolio B	\$77.81	10.53	-0.01
Short Maturity S Portfolio C	\$77.81	10.53	-0.01
Worldwide Income A1	\$77.40	7.93	-0.01
Worldwide Income A2	\$77.40	7.93	-0.01
Worldwide Income B1	\$77.40	7.93	-0.01
Worldwide Income B2	\$77.40	7.93	-0.01
American Income C2	\$77.81	-	-0.01
Global Income Fund	\$77.81	-	-0.01
Global Income Fund C	\$77.81	-	-0.01
Spanish Smaller Cos	PNT 1227	-	-
Turkish Growth	612.01	-	+0.01
Income & Bonds			
Income & Bonds Fund D	\$101.07	-	-0.01
Pension Fund Fund D2	\$101.10	-	-0.01
Yester price depends on previous day's closing price			
<b>Aetna Development Equity Fund</b>			
Pension Fund 10	\$11.00	-	-
Portfolio S	\$11.00	-	-
<b>Altitude Show</b>			
American Dynamic Mgt 7	\$7934.22	-	-
American Div Mgt 7	\$7933.67	-	-
Bond Global Var 7	\$7934.22	-	-
Eurobond Var 7	\$7934.22	-	-
For East Mgt 7	\$7934.22	-	-
<b>BAU Intermarket Fund</b>			
International Intermarket Fund			
Classes S			
Classes S Mkt	FP 2226.90	-	-0.01
Classes S Mkt	FP 2226.90	-	-0.01
<b>BAB (Interportfolio)</b>			
Gold Cow US\$	\$777.05	-	-
Gold Cow US\$	PTT 2247.55	-	-
Gold US\$	WTI 2.49	-	-
<b>Barclays Panter Lefkof (Linc) SA</b>			
PL The Switzerland	\$101.20	-	-
PL True Alpha	\$101.30	-	-
<b>Barclays Redescom Luxembourg</b>			
Panter Avenir Mkt 2001	PTW 1022.15	-	-
Late America New Fund	PTW 1027	-	-
<b>Barclay Perkins Luxembourg</b>			
Partners Fund	\$2.03	-	-
<b>Barclays Scandinavian Eq Fund</b>			
2002 Scandinavian Fund 2002			
Currency SEK B			
General Bond LEG B	\$118.5455	-	-0.01
Global Bond LEG B	\$118.5455	-	-0.01
For East B	\$118.5455	-	-0.01
Japan B	\$118.5455	-	-0.01
North America B	\$118.5455	-	-0.01
Latin America B	\$118.5455	-	-0.01
<b>CB Fund International (C)</b>			
CB Int	\$12.31	-	-
<b>CSFS Umbrella</b>			
Pacific Inv Port 1 Mar 8	\$1114.18	-	-
Pacific Inv Port 1 Mar 8	\$1004.32	-	-
Pacific Inv Port 1 Mar 8	\$995.40	-	-
<b>Capital-Care Myers Instl Fd Show</b>			
Growth & Income	\$10.31	-	-0.01
Global Growth	\$12.73	-	-0.01
Mid-Term Bond	\$10.67	-	-0.01
US-Dollar Bond	\$10.78	-	-0.01
<b>Caribco Investment Management</b>			
Carib Inv Fund Ireland	VIS 0.08	-	-
Carib Inv Fund P.L.E. Fund	BS 2.1171	-	-
<b>Caribcor Investment Mgmt (Luxembourg)</b>			
Sovereign Value Fund	\$18.29	-	-
Class European Assets Value Fund			
May 2nd 2	\$0.70	-	-
Source: Mutual Fund Information			

## **FT MANAGED FUNDS SERVICE**

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

## WEEKEND INVESTOR

## ■ Results due next week

Company	Sector	Award date	Last year interim	Dividend (p) <sup>*</sup>	This year interim
<b>FINAL DIVIDENDS</b>					
Argonaut Holdings	Distr	Thursday	8.0	15.0	1.45
BPP Holdings	SpGr	Monday	3.0	5.8	3.1
BSM Group	SpGr	Tuesday	-	-	2.15
Byrons (Charles)	Eng	Wednesday	0.575	1.075	0.7
British Motor Holdings	Text	Thursday	1.4	7.1	1.4
Britten Group	PPEP	Tuesday	0.05	0.09	0.1
CA Group	Med	Tuesday	1.48	3.68	0.51
CE Environmental Trust	IntR	Thursday	-	-	-
Calm Energy	ONE	Friday	-	-	-
Canfor Investments	IntR	Monday	2.05	7.05	4.15
Church & Co	ReGr	Wednesday	3.0	16.0	3.1
Computer People	SpGr	Wednesday	-	-	1.0
Crofton's	Lst	Tuesday	-	2.5	2.0
David Services Group	SpGr	Thursday	2.73	5.25	2.37
DeutscheGroup	Text	Tuesday	1.5	2.0	1.5
Data	Stse	Tuesday	4.2	10.3	4.3
Deutex	Chem	Monday	1.6	3.0	1.8
Dundee Inc Growth Inv	IntR	Tuesday	8.75	17.25	8.9
Dunlop George	One	Monday	-	-	-
English China Clay	One	Wednesday	6.5	13.4	5.35
English & Scottish Inv	IntR	Thursday	0.5	1.25	0.55
Enterprise Off	ONE	Monday	0.5	0.5	0.5
Espin Group	ReGr	Tuesday	2.3	5.2	2.7
Era Group	ReGr	Thursday	-	-	-
Ferry Group	EZEE	Monday	2.8	8.0	2.25
Fishing Merchant Inv	PPEP	Tuesday	2.1	3.25	2.2
Garmore	IntR	Tuesday	-	-	-
Glynn International	One	Monday	-	-	1.75
Grasby	Eng	Tuesday	4.15	7.5	4.15
Greggs	EZEE	Monday	3.3	3.3	2.7
HBC China Fund	ReGr	Monday	6.0	12.0	7.0
Hall Engineering	Dist	Monday	0.55	1.1	0.805
Hampden Group	Chem	Tuesday	-	-	1.33
Henderson Investment Trust	ReGr	Tuesday	-	-	0.2
Hewlett Williams	IntR	Monday	-	-	-
Hiscox Select Insurance Fund	ReGr	Wednesday	4.5	8.5	5.0
Holiday Chemicals	IntR	Monday	-	-	1.5
HSBC International	Dist	Monday	1.8	2.4	2.0
Hotels	Chem	Tuesday	-	-	0.85
JB Group	Ins	Monday	2.5	5.0	2.5
Jacobs (John F)	Time	Wednesday	0.5	1.4	0.25
Kingfisher	ReGr	Tuesday	4.4	10.5	4.4
Kirkmont Small Co's	IntR	Wednesday	1.5	2.0	1.0
Kirk-R Holdings	Dist	Thursday	1.5	2.3	1.7
Lambert Howarth	Text	Wednesday	2.25	-	2.25
Legal & General Group	Life	Thursday	0.5	1.3	0.95
Mallart	ReGr	Monday	0.5	2.5	0.75
Marley	Build	Wednesday	2.1	2.1	2.1
Megarry Group	Heat	Monday	1.8	3.9	2.0
Mitie	ReGr	Tuesday	0.8	1.8	1.1
Mitie Group Trust	IntR	Monday	2.05	2.85	2.85
Mit-States	Eng	Monday	-	-	-
Minarc	Edn	Monday	-	-	-
Mitsubishi	Prop	Friday	4.0	10.5	5.3
Monksfield Estates	ReGr	Thursday	-	-	0.5
Mosher	Build	Monday	-	-	-
Mobius (JIN Vento)	Finance	Wednesday	2.15	3.0	2.25
MSO Int	IntR	Monday	1.75	3.5	1.5075
Montage Foods	Dist	Monday	2.4	4.8	2.7
Parke's Foods	Food	Monday	1.75	2.7	1.75
Perry Group	Dist	Friday	2.75	4.25	2.75
Persimmon	Build	Monday	2.8	6.2	3.0
Premier Cotts Offsites	IntR	Wednesday	-	-	-
Pilot	ReGr	Monday	-	-	-
Rodius	ReGr	Monday	-	-	-
Rodditt & Colman	ReGr	Monday	2.5	11.1	0.95
Rogers Group	ReGr	Monday	3.45	7.4	2.7
Royal International	ReGr	Monday	6.0	12.75	6.7
Rosings	ReGr	Tuesday	1.4	8.25	1.5
Rugby Group	Build	Monday	2.05	3.02	1.5
Sandwich & Sanchi	ReGr	Monday	-	-	-
Sanderson Bremall Motor	Dist	Thursday	0.85	1.74	1.0
Schaefers	Pharma	Monday	4.0	12.5	4.0
Scotia Holdings	Time	Monday	-	-	1.6
Singer & Finclander	SpGr	Thursday	1.25	1.76	1.4
Sister	IntR	Tuesday	2.10	4.8	0.75
Steel Burd Jones	Ins	Wednesday	3.0	6.0	3.0
Telcos	Tele	Thursday	0.7	1.4	0.8
Telewest Communications	Time	-	-	-	1.6
Tibury Douglas	Pharma	Thursday	10.5	22.5	10.5
United Biscuits	Food	Thursday	5.5	9.8	5.5
United Caviars Group	Time	Monday	-	-	-
Virality	SpGr	Thursday	-	-	-
Watson Holdings	IntR	Monday	0.9	1.9	-
Watnough Holdings	Dist	Monday	0.45	1.1	0.95
Wellington Holdings	ReGr	Friday	1.0	2.4	1.15
Williams Holdings	IntR	Monday	3.0	5.1	1.7
Yorkshire Tyne-Tees TV	IntR	Wednesday	3.0	6.0	3.0
<b>INTERIM DIVIDENDS</b>					
British Data Management	SpGr	Wednesday	1.85	3.75	-
Ciba	IntR	Monday	0.9	1.9	-
Domestic & General	IntR	Monday	5.25	18.5	-
Euromain Leisure	IntR	Monday	0.5	0.2	-
Everest Foods	IntR	Monday	1.2	1.3	-
FCC High Income Trust	IntR	Wednesday	1.2	1.3	-
Ferrari & Mason	ReGr	Friday	0.85	2.40	-
Golden Hope Petrolants	IntR	Monday	-	-	-
Khawar Development Fund	ReGr	Wednesday	2.75	8.25	-
MIJ	Dist	Monday	2.0	5.8	-
Northern Leisure	IntR	Wednesday	-	-	-
Select Industries	ReGr	Wednesday	-	-	-
Spanier	ReGr	Thursday	0.7	-	-
Wesleye Mining	ReGr	Tuesday	-	-	-
Witherspoon (JD)	Build	Thursday	2.2	4.4	-
Zambia Copper Inv	Edn	Thursday	-	-	-

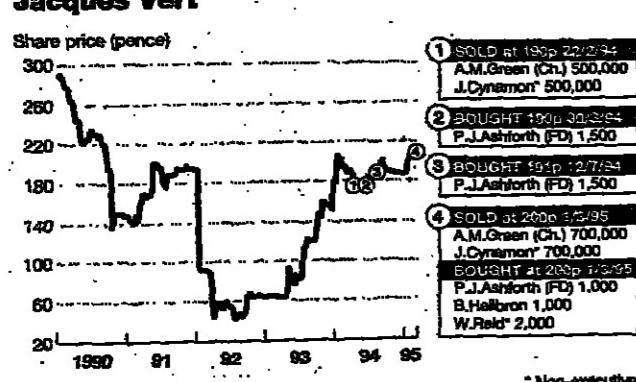
## \* Dividends are shown net per share and are adjusted for any intervening scrip issue. Reports and accounts are not normally available until about six weeks after the board meeting to approve preliminary results.

† 1st quarter.

‡ 2nd quarter.

\* 3rd quarter.

## Jacques Vert



## Directors' dealings

The London Stock Exchange trundled on last week, seemingly oblivious to the worries about Barings and sterling, writes Vivien MacDonald of the *Inside Track*. Unsurprisingly, the exchange ended the week within its recent trading band of 2950-3150 despite these bearish worries. As further corporate results were announced, so directors' dealings gradually picked up during the week.

□ The biggest deal by far was at women's clothes group Jacques Vert, where Alan Green and Jack Cynamon, chairman and non-executive respectively, each sold 700,000 shares at 200p. This is not the first time they have acted in unison - both sold 500,000 in February of 1994 - and indeed they have identical holdings (1,200,340) of Jacques Vert.

□ Two J Sainsbury directors have sold - Colin Harvey selling 6,550 shares and Robert Clark 2,500.

## ■ Last week's preliminary results

Company	Sector	Year	Profit ('000)	Pre-tax	Earnings* per share (p)	Dividends* per share (p)
AGM Holdings	Eng	Dec	4,200	1,000	5.4 (-)	0.0 (-)
Adm Nippon	PPEP	Dec	217,100	(122,100)	17.9 (7.9)	4.8 (3.9)
ADT Group	Text	Dec	1,000,000	(1,000,000)	30.1 (34.5)	29.0 (21.1)
AT&T	IntR	Dec	1,470,000	(1,270,000)	24.5 (21.9)	19.0 (12.9)
Bell	IntR	Dec	5,700	4,410	72.4 (10.3)	7.0 (7.0)
Bell & Howell	Text	Dec	1,000	1,000	20.7 (-)	2.0 (-)
Beta Global Empl Mkt	Text	Dec	159,000	(20,000)	6.4 (-)	4.75 (7.5)
Blocked Toys	Text	Dec	18,700	(8,000)	3.7 (-)	2.0 (-)
Brent International	Chem	Dec	8,010	(7,140)	8.0 (-)	4.2 (-)
British American	Pharm	Dec	672,000	(77,000)	- (-)	- (-)
Brown & Root	IntR	Dec	10,000	(2,000)	1.0 (-)	1.0 (-)
Burns & McDonnell	Eng	Dec	2,000	(1,000)	2.0 (-)	1.0 (-)
Caterpillar	Eng	Dec	470,500	(416,000)	31.40 (30.50)	15.6 (14.6)
Catwalk	Text	Dec	9,000	(2,000)	12.1 (5.7)	8.8 (2.7)
Catwalk Pizza	Food	Dec	2,000	(2,000)	2.4 (2.0)	2.0 (2.0)
CDI	Text	Dec	2,000	(2,000)	2.4 (2.0)	2.0 (2.0)
Chadwick	Dist	Dec	2,000	(2,000)	2.0 (2.0)	2.0 (2.0)
Christie Indl	Text	Dec	15,200	(10,000)	5.81 (6.82)</	

# Weekend Investor

Wall Street

## The Dow shows its resilience

Maggie Urry looks at how the stock market has reacted to the fall in the dollar

**W**all Street is showing a remarkable resilience to the slide of the dollar. Although stocks were weaker on Tuesday, when the dollar's fall was at its worst, by Thursday the Dow Jones industrial average was more or less back to where it started the week. On Friday, when the dollar reversed part of its fall, the index broke through 4,000 once more.

Even the bond market, which takes the currency more seriously than the stock market, has taken relatively little notice of the dollar's fall. The yield on the long bond has risen a bit, but is still around the 7.5 per cent level, almost the low point in recent months.

So if the market is not going down, perhaps the decline of the currency does not matter too much to Americans. John Lipsky, economist at Salomon Brothers, believes there would have been a crisis only if the Federal Reserve had raised interest rates - and the currency still went on falling.

That could still happen. As Alan Greenspan, chairman of the Fed, said when he was talking to the House Budget Committee on Wednesday, the dollar's fall is "unwelcome and troublesome".

That might suggest a continuing fall of the currency could bring about a change of policy.

Although the Fed is usually loathe to increase interest rates in defence of the currency, the dollar's fall does, as Greenspan explained, add "to potential inflation pressures in our economy".

It is "symptomatic of some of the underlying problems confronting the longer-term health of the economy: inadequate national savings, continuing large budget deficits and a persistent current account imbalance," he added. The savings ratio has become a source of concern to investors.

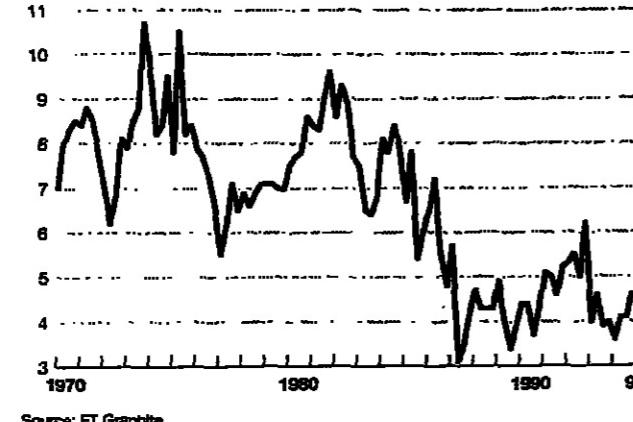
In spite of the stereotypical view of US citizens as heavy savers, through their individual retirement accounts and in the vast mutual funds, the truth is that the savings ratio is low. Many Americans rely on state pensions and the tax system, to some extent, discouraging savings.

Pension funds represent a far smaller proportion of gdp than they do in countries like the UK.

As the chart shows, the rate has fallen sharply over the

### When Americans saved...

US personal savings ratio, %



years, particularly in the 1980s when savers became consumers, and borrowed heavily to finance their spending spree. Consumer debt as a percentage of disposable personal income rose sharply in the latter half of the 1980s and into the 1990s, from 65 to over 90 per cent.

If Americans are not saving, and the country persists in running a current account deficit, savings will have to be attracted from abroad.

Ideally foreign investors would like to see the US economy growing at a faster rate than alternative investments if they are to place their money in the US markets. But now the US economy is slowing, so perhaps higher interest rates or the possibility of a currency gain will be needed to attract funds.

In the end though, as Greenspan says, the solution is to increase domestic saving - and that will take some changes in government policy, perhaps through tax measures. Even if Americans begin to increase their savings again it will take some time for the money to accumulate.

Meanwhile, the market may also be held up by investors who are unwilling to take capital gains - and with the market at its all-time high many have big gains - until there is definite news on the expected changes to capital gains tax.

As well as its resilience to the dollar's fall, the stock market seemed to shrug off a February unemployment figure, published yesterday, which was significantly lower at 5.4 per cent, down from 5.7 per cent in January, than economists had been predicting. The

**Dow Jones Ind average**

Day	Price	Change
Monday	3,997.56	+7.95
Tuesday	3,982.63	-34.93
Wednesday	3,978.23	+16.80
Thursday	3,983.39	+4.16
Friday		

As the chart shows, the rate has fallen sharply over the

Barry Riley

## Devaluation with forked tongue

When words outnumber deeds, currencies weaken by default

**Y**ou can call them white lies, if you are kind. They are what politicians say about currency exchange rates.

"There will be no devaluation" was a regular Downing Street cry in the late summer of 1982. This year, Alan Greenspan of the US Federal Reserve claimed that devaluation of the dollar, which has fallen by 9 per cent against the D-Mark this year, was "unwelcome and troublesome". But the cynical markets believe in deeds, not words; and of deeds there is no sign.

Thus the latest bout of trouble began two weeks ago when Greenspan complacently told Congress that the US economy was slowing and interest rates were near their peak. Given that the US economy is grossly unbalanced and dollars are flooding out into the global economy at a dangerous rate, this was interpreted as implying that further depreciation of the dollar would not be resisted.

Unpleasant medicine would not be prescribed.

After all, there is a lack of symmetry in official exchange rate pronouncements which market men have to adjust for. Finance ministers rarely call for their currencies to be marked down - although in a few cases at present, they are doing just that. "The D-Mark is in some aspects a bit overvalued," is the latest hot tip from the Bundesbank boss Hans Tietmeyer.

But such candour is unusual. Devaluation is usually signalled by default. A

strong currency would be nice, but other objectives - low interest rates, economic expansion, a good climate for the re-election of the president - are more important. And the dollar has been recklessly imperilled by a hugely expensive bail-out of Mexico. Indeed, the US has been getting financially and politically closer to Latin America as a whole, and viewed from Europe and Asia there seems to be a clear risk of Latinisation. Now that the US is a growing net debtor it has a vested interest in dollar depreciation.

Of course, Americans have long regarded the dollar exchange rate as being a problem for other people, not themselves. A weak dollar feeds only very slowly into higher US inflation, because imports represent only 14 per cent of GDP, and many are priced in even weaker currencies. Therefore, very large swings in the exchange rate against currencies such as the D-Mark can be tolerated.

The political pressures on the US authorities to respond are slight, which is another way of saying that only a truly enormous dollar crisis will trigger a policy reaction. London's Evening Standard tried this week to suggest there was "pandemonium" in the foreign exchange market, but in fact the realignments have been fairly orderly.

Certainly there has been no policy response so far.

And by most counts the dollar is currently very cheap. On the basis of purchasing

power parity it is only about half what it should be against the Japanese yen. Yet the US continues to run an enormous trade deficit of more than \$150bn (£90bn) annually. It is not going to eliminate this gap in the foreseeable future simply by devaluing the dollar, when the US economy is operating close to full capacity. Domestic demand must be sharply reduced for devaluation to work. There have to be structural changes in how the economy is run, involving much higher

inflation.

In Europe, the problem is no longer balance of payments distortions, but debt. Western European governments have been piling up debt at the rate of £250bn a year and there is now a flight to safety. French short-term interest rates jumped to 9 per cent but the problems are in public spending, where old habits die hard: another £20bn is to be committed to the banking black hole at Credit Lyonnais.

The Germans are borrowing

too much as well, but at least they have got their financing back under control. When bond yields tumbled in 1993, domestic buyers stopped buying and German monetary growth drifted temporarily out of control. But with bond yields up again during 1994, the Bundesbank regained its grip, so that the German broad money supply has actually been falling during the past few months.

For the weaker currencies in Europe, however, the remaining fig leaves of the exchange rate mechanism have been shrivelling. The advance towards a single

Philip Coggan on shocks in the electricity sector

**F**eared by the bad, loved by the good. Robin Hood was reincarnated this week in the person of Professor Stephen Littlechild, the regulator who takes from the regional electricity companies and gives to the hard-pressed consumer.

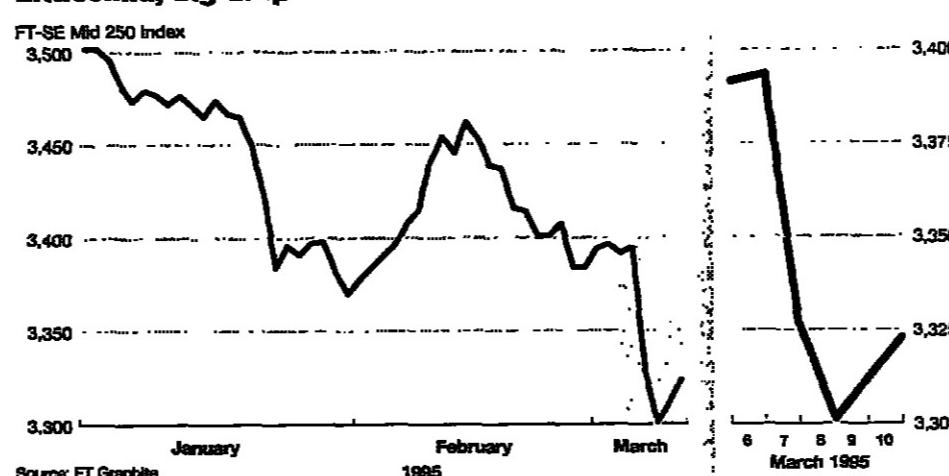
But if you are a shareholder in the electricity companies, or if you just bought shares in the second tranche of Powergen and National Power, the good Prof must seem more like the Sheriff of Nottingham.

The regulator's announcement on Tuesday that he was considering further tightening of price controls on the industry from April 1 1996 caused havoc. Shares in the electricity sector fell 11.3 per cent on Tuesday alone, with almost all the regional stocks falling by 21 and more.

By the end of the week, the new shares in National Power and Powergen, which only started trading on Monday, dropped below the offer price.

**Littlechild, big drop**

FT-SE Mid 250 Index



### Highlights of the week

	Price y'day	Change on week	1994/95 High	1994/95 Low	
FT-SE 100 Index	3,021.1	-4.0	3,520.3	2,878.6	Dollar weakness
FT-SE Mid 250 Index	3,320.4	-71.0	4,152.8	3,300.9	Sell off in Recs
Ario Whipping Appn	236	-11%	316	219	No stake sale
Cookson	193	-19	2794	185	Rights issue
De La Rue	904	-127	1054	825	Profit warning
GKN	594	+22	660	510/4	Upbeat results
Inchcape	313	+12	609	288	Takeover rumours
Lloyds Chemists	214	-70	380	209	Figures disappoint
Micro Focus	700	-58	1,320	688	Disappointing profits
Northern Electric	808	-248	1,136	589	Offer shock/Trafalgar Hse lower bid
Northumbrian Water	819	+77	890	508	Lyonnais des Eaux to bid
Rains	28	-19	116	28	Profit tumble
Stagecoach	215	-23	238	158	DTI ruling on share stake
Yorkshire Electric	673	-177	909	599	Offer to revisit prices deal
Yorks-Tyne Tees TV	374	-34	426	150	Cross ownership worries

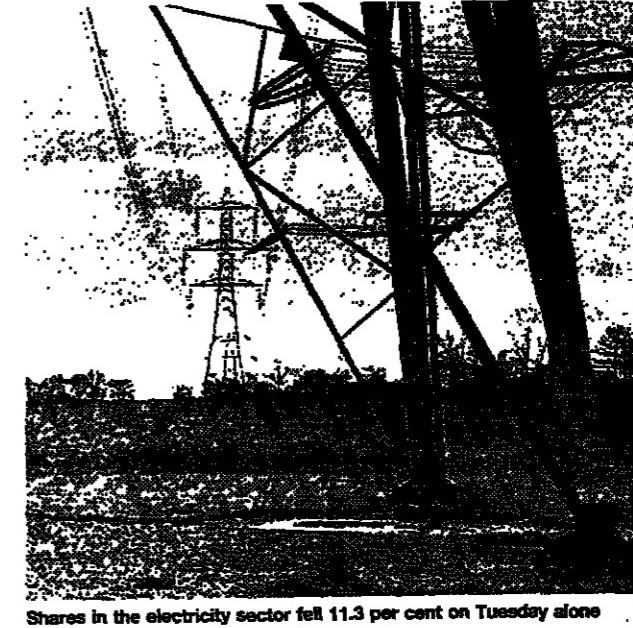
of US employment statistics, which were taken positively by Wall Street.

Even at its lowest, however, Footsie stayed within the 2,950-3,150 range in which it has been stuck since October.

Sterling continued to be weak, with foreign investors particularly nervous about the UK's political stability. Much of the pound's recent weakness has been a reflection of D-Mark strength but yesterday afternoon, the pound fell sharply against the dollar as well.

With share prices falling, the yield on the FT-A All-Share index crept steadily ahead, reaching 4.3 per cent at Thursday's close, its highest level for two years. However, this is still below the 1918-1944 average of 5.1 per cent, according to BZW's Equity-Gilt Study.

The yield ratio, the relationship between the return on long term gilts and equities, had dropped to 2.6 by Thursday night, its lowest level of 1995. Nevertheless, the ratio had still not dropped below 2,



Shares in the electricity sector fell 11.3 per cent on Tuesday alone

the level at which, during the past 25 years or so, shares have appeared to be cheap.

Some analysts argue that a more appropriate yield ratio for a low-inflation era would be around 1.4; after all, prior to 1988, equities actually yielded more than gilts. The inflationary deprivations of the 1970s, in particular, mean that, in recent times, investors have demanded a much higher return from gilts than before.

According to this argument, as investors come to realise that inflation is dormant, yields on equities and gilts will move closer together. If this comes about through a sharp decline in gilt yields, private investors can greet the prospect with relative calm. But if it results from a sudden jump in equity yields (and fall in share prices), the process could be very painful.

Electricity shares were not the only market disaster this week. Investors' perception of security printer De La Rue as a growth stock disappeared rapidly on Tuesday when it warned of a slowdown in earnings growth. In one day, the historic price-earnings ratio on the shares dropped from an above-average 18.7 to a below-average 16.1; the effect of this shift sent the shares down 14.3p to 88p.

Over the week as a whole, however, the tone of the corporate results season was positive. Such important indicators of economic health as BTR, GKN, Rolls-Royce and Transport Development Group all saw their share prices rise on the day they reported figures; markets also responded well to results from Standard Chartered, RTZ and BAT.

Finally, to paraphrase David Frost, one should stop to say goodbye and good evening to Wellcome which conceded defeat in the £9bn plus bid from Glaxo, when it became apparent that an offer from a rival suitor (thought to be Zeneca) was not forthcoming.

Britain's biggest ever corporate bid may not have triggered the hoped-for stock market revival but at least new takeover battles have emerged to take its place.

French water group Lyonnes des Eaux announced its attention on Monday to bid for Northumbrian Water.

Now who can guess what water regulator, Ian Byatt might do?

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## NEW GLOBAL BALANCED GROWTH FUND

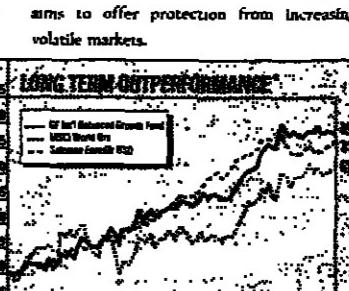
Guinness Flight's new Global Balanced Growth Fund offers investors:

- A lower risk, internationally diversified, portfolio of cash, bonds and equities - designed for investors who have neither the time nor inclination to make their own investment decisions.
- Guinness Flight's proven record of performance in managing international balanced portfolios.

We believe that this is a particularly timely opportunity given that:

- Real bond yields worldwide are currently at high levels and with the recent rise in US and UK interest rates, the opportunity now exists for a significant bond market rally.
- A rise in bond prices should prompt an upward move in equity markets, internationally, given their generally reasonable valuations.

However, to take advantage of these opportunities, requires skill in timing and asset allocation. Our expertise in this area is proven by the performance of our existing International Balanced Growth Fund. In addition, over the longer term the Fund's balanced approach aims to offer protection from increasingly volatile markets.



The Fund's performance is based on historical data and is not guaranteed. Past performance is not necessarily indicative of future results.

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